Syncora Guarantee Inc.

Statutory Basis Financial Statements
Years Ended December 31, 2015 and 2014
With Independent Auditor's Report

Syncora Guarantee Inc.
Table of Contents
December 31, 2015 and 2014

	Page
Independent Auditor's Report	1–2
Statutory Basis Financial Statements	
Statements of Admitted Assets, Liabilities and Capital and Surplus	3
Statements of Operations and Changes in Capital and Surplus	4
Statements of Cash Flows	5
Notes to Statutory Basis Financial Statements	6–64
Supplemental Schedules	
Supplemental Investment Risks Interrogatories	Appendix A
Reinsurance Attestation Supplement	Appendix B

Independent Auditor's Report

To the Board of Directors of Syncora Guarantee Inc.:

We have audited the accompanying statutory financial statements of Syncora Guarantee Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2015 and 2014, and the related statutory statements of operations and changes in capital and surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 4 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 4 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 4.

Emphasis of Matters

As discussed in Note 3 to the financial statements, the Company is exposed to certain significant risks and uncertainties that affect its ability to maintain adequate regulatory capital and liquidity. Management's ongoing strategic plan to mitigate these risks and uncertainties is also described in Note 3 to the financial statements.

As discussed in Note 4 to the financial statements, the Company received permitted practices from the New York State Department of Financial Services to (i) to carry certain investment balances in excess of stipulated limitations under Articles 14 and 69 of the New York Insurance Law, (ii) release contingency reserves associated with both terminated policies and policies for which the Company has established a case reserve, (iii) de-recognize reserves for unpaid losses, unearned premium reserves and contingency reserves for credits deemed effectively defeased or in-substance commuted, (iv) to value surplus notes issued by the Company in settlement of certain policyholder obligations at face value, and (v) to continue to account for certain acquired entities as salvage recoverable. As of December 31, 2015 and 2014, these permitted practices resulted in an increase to statutory surplus of $850 million and $2.6 billion, over what it would have been without these permitted practices.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental Investment Risk Interrogatories and Reinsurance Attestation Supplement (collectively, the "supplemental schedules") of the Company as of December 31, 2015 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 5, 2016

Syncora Guarantee Inc.
Statements of Admitted Assets, Liabilities and Capital and Surplus
December 31, 2015 and 2014

(U.S. Dollars in thousands, except share amounts)	2015	2014
Admitted Assets		
Bonds, at amortized cost (fair value: $877,633 and $892,108)	$ 872,250	$ 884,210
Investment in subsidiaries:		
Syncora Capital Assurance Inc. surplus notes and common shares	192,108	164,492
Syncora Investment Holdings	35,808	-
Syncora Guarantee (UK) Ltd. common shares	-	59,406
Cash, cash equivalents and short-term investments (fair value: cash $6,282 and $20,070; cash equivalents $36,985 and $45,299; and short-term investments $94,897 and $14,076)	138,115	79,445
Restricted cash and short-term investments	432	12,702
Other invested assets	1,178	1,178
Derivative instruments	521	3,182
Total cash and invested assets	1,240,412	1,204,615
Premiums receivable	945	2,370
Accrued investment income	2,930	2,807
Receivables from parent, subsidiaries and affiliates	109	1,491
Other assets	5,050	8,248
Total admitted assets	$ 1,249,446	$ 1,219,531
Liabilities and Capital and Surplus		
Liabilities		
Unearned premium revenue, net	$ 111,061	$ 141,637
Unpaid losses (recoverables) and loss adjustment expenses	(45,407)	111,302
Mandatory contingency reserve	85,147	98,454
Accounts payable and accrued expenses	3,919	5,421
Payables to parent, subsidiaries and affiliates	7,485	6,219
Other liabilities	284	502
Total liabilities	162,489	363,535
Capital and surplus		
Common stock (par value $7,500 per share; 8,000 shares authorized; 2,000 shares issued and outstanding)	15,000	15,000
Preferred stock - Series B non-cumulative perpetual (655 shares held as treasury stock)	200,000	200,000
Surplus notes	584,334	584,334
Additional paid-in capital	2,046,972	2,046,972
Accumulated deficit	(1,759,349)	(1,990,310)
Total capital and surplus	1,086,957	855,996
Total liabilities and capital and surplus	$ 1,249,446	$ 1,219,531

The accompanying notes to the statutory basis financial statements are an integral part of these statements.

Syncora Guarantee Inc.
Statements of Operations and Changes in Capital and Surplus
Years Ended December 31, 2015 and 2014

(U.S. Dollars in thousands)	2015	2014
Underwriting		
Net premiums written	$ 12,771	$ 19,135
Change in unearned premium revenue	30,575	30,075
Net premiums earned	43,346	49,210
Deductions		
Net (benefit) losses and loss adjustment expenses	(140,958)	118,263
Underwriting expenses	36,262	27,531
Total underwriting deductions	(104,696)	145,794
Net underwriting gain (loss)	148,042	(96,584)
Investment Income		
Net investment income	39,433	36,475
Net realized capital gains, including income tax expense of $0 and $397	14,382	1,311
Net investment gain	53,815	37,786
Other Income		
Fees and other income	668	1,140
Total other income	668	1,140
Income (loss) before federal income tax benefit	202,525	(57,658)
Current federal and foreign income tax benefit	(6,444)	(4,916)
Net income (loss)	$ 208,969	$ (52,742)
Capital and Surplus		
Capital and surplus, beginning of year	$ 855,996	$ 973,332
Net income (loss)	208,969	(52,742)
Change in nonadmitted assets	(6,563)	(2,163)
Change in provision for reinsurance	66	(176)
Net unrealized gains (losses)	17,842	(62,399)
Change in mandatory contingency reserve	13,307	3,996
Change in unrealized losses on derivative instruments	(2,660)	(3,852)
Change in capital and surplus for the year	230,961	(117,336)
Capital and surplus, end of year	$ 1,086,957	$ 855,996

The accompanying notes to the statutory basis financial statements are an integral part of these statements.

Syncora Guarantee Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(U.S. Dollars in thousands)	2015	2014
Cash from Operations		
Premiums collected, net of reinsurance	$ 14,722	$ 19,967
Underwriting expenses paid	(33,529)	(40,352)
Net investment income collected	32,810	28,440
Benefits and loss related payments, net of recoveries	(16,359)	252,120
Federal income taxes recovered	642	3,655
Fee income and other, net	668	1,141
Net cash (used in) provided by operations	(1,046)	264,971
Cash from Investments		
Proceeds from bonds sold, matured or repaid	412,979	400,257
Proceeds from stocks sold	4,707	-
Bonds acquired	(335,406)	(605,439)
Common stocks acquired	(627)	(33,616)
Other invested assets	(34,944)	(1,178)
Miscellaneous (applications) proceeds	(3,772)	3,773
Net cash provided by (used in) investments	42,937	(236,203)
Cash from Financing and Miscellaneous Sources		
Other cash provided by (used in) financing and miscellaneous sources	4,509	(25,869)
Net change in cash, cash equivalents and short-term investments	46,400	2,899
Cash, cash equivalents and short-term investments, beginning of year	92,147	89,248
Cash, cash equivalents and short-term investments, end of year	$ 138,547	$ 92,147
Supplemental Non-Cash Flow Information:		
Bonds transferred to Syncora Guarantee from Syncora Guarantee - UK as a result of the Part VII Transfer (See note 6)	$ 68,275	$ -
Contribution of the City of Detroit purchase credits to Pike Pointe	$ 5,503	$ -

The accompanying notes to the statutory basis financial statements are an integral part of these statements.

1. Organization and Business

Syncora Guarantee Inc. ("Syncora Guarantee" or the "Company") is an insurance company domiciled in the State of New York and was licensed to conduct financial guarantee insurance business throughout all 50 of the United States, as well as in the Commonwealth of Puerto Rico, the District of Columbia, and the U.S. Virgin Islands. However, because of the events discussed below, as of December 31, 2015, 28 states have suspended or revoked Syncora Guarantee’s license to conduct insurance business in such states or jurisdiction, placed an order of impairment against it, or Syncora Guarantee voluntarily agreed to cease writing business in such states. Syncora Guarantee, however, continues to collect premiums on existing business in such states and management anticipates that it will be able to continue to collect such premiums. Additional states may suspend Syncora Guarantee’s license, place an order of impairment against it or, in lieu of a suspension or order, Syncora Guarantee may voluntarily agree to cease writing business in additional jurisdictions. Syncora Guarantee opted not to renew its license in the U.S. Virgin Islands and the Commonwealth of Puerto Rico.

Prior to January 2008, Syncora Guarantee was primarily engaged in the business of providing (i) credit enhancement on fixed and variable rate debt obligations through the issuance of financial guarantee insurance policies, and (ii) credit protection on specific referenced credits or on pools of specific referenced credits through the issuance of financial guarantee insurance policies covering the obligations under credit default swap (“CDS”) contracts issued by trusts established to comply with the New York Insurance Law (the “NYIL”). Syncora Guarantee ceased writing substantially all new business in January of 2008.

Financial guarantee insurance policies obligate the insurer to provide an unconditional and irrevocable guarantee to the holder of a debt obligation of full and timely payment of certain principal and interest when due. In the event of a default under the debt obligation, the insurer has recourse against the issuer and/or any related collateral (which is more common in the case of insured asset-backed obligations or other non-municipal debt) for amounts paid under the terms of the policy. CDS contracts are derivative contracts that offer credit protection relating to a particular security or pools of specified securities. Under the terms of a CDS contract, the seller of credit protection makes a specified payment to the buyer of credit protection upon the occurrence of one or more specified credit events with respect to a referenced security. Credit derivatives typically provide protection to a buyer rather than credit enhancement of a debt security as in traditional financial guarantee insurance.

The Company is 100% owner of Syncora Capital Assurance, a New York licensed financial guarantee insurer. On July 10, 2015, Syncora Guarantee-UK, a formerly wholly owned subsidiary, was dissolved following the completion of the Part VII Transfer discussed below.

The Company is also 100% owner of non-insurance holding companies: (i) Pike Pointe Holdings, LLC ("Pike Pointe"), which wholly owns a number of subsidiaries that ultimately own and operate certain toll road facilities located in the United States and Canada and (ii) Syncora Investment Holdings LLC, (“Syncora Investment Holdings”). The Company is also a 99% owner of a non-insurance company, Syncora Securities Holdings LLC, ("Syncora Securities"). See Note 6.

2. Description of the Transactions Comprising the 2009 Master Transaction Agreement

On July 15, 2009, Syncora Guarantee consummated a Master Transaction Agreement with certain of its financial counterparties to CDS contracts insured by its financial guaranty insurance policies and certain related transactions (hereafter referred to collectively as the “2009 MTA”) which, along with approval of the New York State Department of Financial Services ("NYDFS") to apply certain accounting practices in connection with the preparation of Syncora Guarantee’s statutory financial statements to certain of the transactions comprising the 2009 MTA, resulted in Syncora Guarantee’s return to compliance with its regulatory minimum capital and surplus.

The 2009 MTA consisted of the following primary components:

(1) the restructure, effective defeasance or, in-substance, commutation (in whole or in part) of substantially all of the Company's exposure to such CDS contracts, in exchange for which the Company paid the Counterparties consideration comprised of approximately $1.2 billion in cash, issuance of $625.0 million surplus notes of the Company and the transfer of common shares of Syncora Holdings Ltd. ("Syncora Holdings"), a Bermuda-based holding company;

(2) the reinsurance or novation of certain business to a newly formed, wholly-owned insurance subsidiary of the Company, Syncora Capital Assurance, in which the Company also issued back-up guarantees on such novated guarantees, which are also more fully described in Note 6;

(3) the effective defeasance or, in-substance, commutation, of certain of the Company's exposure to insured residential mortgage backed securities ("RMBS"). See below for further discussion; and

(4) certain other transactions to remediate loss exposure, which primarily consisted of certain commutations of its other guarantees and assumed reinsurance, and the termination of its office lease agreement.

The 2009 MTA also contains a number of significant restrictive covenants applicable to the Company, Syncora Capital Assurance and Syncora Holdings Ltd. (collectively, the "Syncora MTA Parties"), which remain in effect until the Company's surplus notes have been paid in full and, with respect to certain covenants, until certain policies issued by and CDS contracts insured by Syncora Capital Assurance are no longer in effect. These include prohibitions on:

i. the Syncora MTA Parties entering into a new or amending the existing tax sharing agreement or entering into specified related party transactions (subject to specified exceptions);

ii. the Company and Syncora Capital Assurance writing new business; incurring indebtedness and other material voluntary obligations (subject in each case to specified exceptions and limitations); merging, consolidating or selling, assigning or transferring or disposing of (including by way of reinsurance, recapture or otherwise) all or any material portion of their respective assets (subject to specified exceptions); and

iii. the Company making any payments with respect to its short-term or long-term surplus notes except with respect to all such notes on a pro rata basis and on the same terms; failing to own all of the equity interests of Syncora Capital Assurance; paying dividends on or repurchasing, redeeming, exchanging or converting its equity securities (or of any of its direct or indirect parent's equity securities) or making investments (subject to specified exceptions).

On August 24, 2015, the Company and Syncora Capital Assurance executed certain amendments to the 2009 MTA to, among other things, eliminate or modify certain contractual constraints, including, among other things, restrictions on the Company's ability to issue equity securities and restrictions on selling Existing Surplus Notes, reduce the requisite consenting percentages for future amendments to 50% by value from 75% by vote and value; and bifurcate voting between Company-only matters and Syncora Capital Assurance-only matters all of which provide the Company with increased financial and operating flexibility. After giving effect to this amendment, the Company remains subject to certain prohibitions, future changes to which would require, in most cases, Company-only vote at a 50% voting threshold by value.

Effective Commutation or Defeasance of Syncora Guarantee's Exposure to Insured RMBS Securities (the "RMBS Offer")

In connection with the 2009 MTA, the Company invested in a fund (the "RMBS Fund") that executed certain transactions designed to effectively defease or, in-substance, commute the Company's exposure on certain of its financial guarantee insurance policies written on RMBS. The RMBS Fund purchased certain of such RMBS in return for a trust certificate of an owner trust representing the uninsured cash flows of such RMBS ("Uninsured Cash Flow Certificate") plus a cash payment. In general, the RMBS Fund contributed any such purchased RMBS (and certain of the Company's reimbursement rights) to separate owner trusts in return for certificates representing the cash flows consisting of insurance payments made on the policies insuring such RMBS ("Insurance Cash Flow Certificates"). In return for such investments, the Insurance Cash Flow Certificates were distributed to the Company. The Company will, should the cash flows from the underlying RMBS transaction be sufficient, receive certain reimbursement payments in respect of insurance payments previously made by the Company on such RMBS. The Company also entered into several alternative transactions effectively replicating the economics of the RMBS Offer.

In addition to the RMBS Offer, as part of its on-going strategic plan, the Company directly purchased certain RMBS that it had insured. Such directly purchased RMBS were exchanged by the Company for Insurance Cash Flow Certificates and Uninsured Cash Flow Certificates using the mechanics described above. The Uninsured Cash Flow Certificate may either be held or resold by the Company. The Company continues to purchase certain of its insured RMBS.

For the years ended December 31, 2015 and 2014, the Company paid gross RMBS claims aggregating $11.8 million and $38.2 million of which $10.0 million and $21.0 million, respectively, were returned to the Company as a result of receipts from Insured Cash Flow Certificates.

See "(c)" to the table in Note 4 for a description of the accounting for such effective defeasances or, in-substance, commutations.

3. Description of Significant Risks and Uncertainties, Assessment of Syncora Guarantee's Ability to Continue as a Going Concern, and Description of Syncora Guarantee's On-Going Strategic Plan

Despite the Company's litigation settlements and all of its remediation transactions, the Company remains exposed to significant risks and uncertainties that may materially affect its financial and liquidity position. These relate to, among other things, (i) a potential liquidity mismatch resulting from the timing of anticipated future claims payments and subsequent cash recoveries related to these claims payments, (ii) the potential for future adverse loss and claims development on its insured obligations, (iii) the resolution of various litigation matters, including recoveries from the Company's insurance policy litigation claims, and (iv) the failure to receive interest or principal payments on or to otherwise monetize or recognize value from Syncora Capital Assurance's surplus note(s). These risks and uncertainties are discussed more fully below and could materially and adversely affect the Company's results of operations, financial condition and liquidity.

Description of Significant Risks and Uncertainties and Other Matters

- The Company continues to face a potential "liquidity mismatch" between expected future medium to long-term claim payments and recoveries relating to such claims. This potential liquidity mismatch results primarily from substantial projected gross claims payments. The Company anticipates it will be requested to make substantial gross claim payments in the period 2017 to 2029 (of approximately $182.1 million, excluding remediated RMBS claims), followed in later years (in some cases significantly later years) by substantial anticipated recoveries of these claims payments. Certain of these claims are subject to variability and uncertainty. In addition, the potential "liquidity mismatch" also results from the Company's exposure to other transactions with refinancing risk through to 2019, including one credit with a heightened risk of material claims payments with an aggregate par outstanding of $809.8 million and a number of other credits with exposure to refinancing risk and the risk of material principal repayments with an aggregate par outstanding of $2.5 billion, in each case as of December 31, 2015. Pursuant to the Company's accounting policy and guidance under SSAP, the net present value of estimated claims and recoveries (including salvage and subrogation) are reflected in the Company's loss reserves (see the Company's accounting policy on reserves in Note 4). As a result, the reserves for losses recorded in the Company's balance sheet are significantly less as compared to the currently estimated future claims payments noted above. The amount and timing of the recoveries related to the anticipated future claims payments are subject to greater uncertainty and timing than the amount and timing of such future claims payments themselves. If realized, this liquidity mismatch may have a material adverse effect on the Company and its ability to satisfy its future obligations. Because of the inherent uncertainty in estimating future claim payments and recoveries (including, whether, when and to what extent investment grade and non-investment grade credits may be able to refinance), no assurance can be given that the actual severity or timing of claims payments, related recoveries, or ultimate losses will not be different than the Company's estimates, and such differences could materially and adversely affect the Company's results of operations, financial condition and liquidity. Further, no assurance can be given that the Company will be successful in further enhancing liquidity or mitigating adverse developments associated with its future claim payments, recoveries, reserves for losses or the aforementioned potential liquidity mismatch. See Note 11. "*Schedule of Insured Financial Obligations with Credit Deterioration*" caption for further discussion.

- The Company's estimate of reserves for losses on its exposures is based on certain assumptions. Changes in such assumptions could materially adversely affect such reserve estimates, including the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond those assumed in the Company's reserve estimate (that may or may not result in an increase in such loss reserves) in the near to medium term.

- The Company is exposed to significant refinancing risks in its insured and reinsured portfolio. The Company had assumed at origination that certain of the debt issuances insured could be refinanced in the market. The Company is exposed to this risk and, accordingly, may be required to make claims payments and then seek to recover its payments from revenues produced by the transaction. The Company believes it has reserved appropriately to reflect this risk but a more difficult refinancing market at the time of refinancing could lead to the Company facing additional, material claims and losses.

- The Company has direct insurance and reinsurance exposure to certain credits within European countries. Global economic conditions have been negatively affected with concerns about the continued sovereign debt crisis within the European region and the possibility that certain European Union member states will default on their debt obligations or leave the European Union. The continued uncertainty over the outcome of the European Union governments' efforts to provide financial support for sovereigns and sub-sovereigns and the possibility of further deteriorating conditions in Europe could have a material adverse effect on the Company's financial and liquidity position. As of December 31, 2015, the Company's in-force guaranteed principal exposure to the European Union was approximately $3.6 billion of which $232.3 million was specifically related to certain credits in higher risk countries, such as Portugal and Italy.

- The Company and its financial position will continue to be subject to risk of global financial and economic conditions that could materially and adversely affect the amount of losses (including the timing and amount of claims and subsequent recoveries) incurred on transactions it guarantees, the value of its investment portfolio, and otherwise materially and adversely affect the Company. With respect to the Company's investment portfolio, a prolonged period of low interest rates, along with declining investment balances, may adversely affect the Company's ability to generate sufficient investment income to fund its future obligations. Issuers or borrowers whose securities or loans the Company insures or holds as well as the Company's counterparties under swaps and other derivative contracts may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Additionally, the underlying assets supporting securities that the Company has guaranteed may deteriorate further, causing these securities to incur losses.

- The Company is materially exposed to foreign exchange risk as the Company's insured debt obligations are denominated in a number of foreign currencies and the U.S. dollar. The principal currencies creating foreign exchange risk are the British pound sterling, Australian dollar and the European Union euro. At December 31, 2015, approximately 73% of the Company's in-force guaranteed net par outstanding exposure of $6.6 billion was denominated in such currencies. The Company translates foreign currencies into U.S. dollars at the current market exchange rates. Changes in the exchange rates between foreign currencies and U.S. dollars may have an adverse effect on the settlement of potential claims or the value of salvage/recoveries and therefore could have a material adverse effect on the Company's liquidity and surplus position. In addition, the Company is materially exposed to risks associated with its financial guarantees covering foreign denominated inflation indexed-linked bonds in connection with the bonds issued by UK and European utility and project finance issuers.

- Syncora Guarantee continues to be materially exposed (directly and indirectly) to risks associated with deterioration in the residential mortgage market through its guarantees of RMBS, as well as other bond sectors to which Syncora Guarantee has material exposure, including the structured single risk, public finance (including Puerto Rico), commercial mortgage, and corporate loan bond sectors. The extent and duration of any deterioration of the credit markets is unknown, as is the effect, if any, on: (i) potential claim payments and the ultimate amount of losses Syncora Guarantee may incur on obligations it has guaranteed and (ii) potential losses Syncora Guarantee may incur on its invested assets.

- As of December 31, 2015, the Company has $170.0 million of gross par exposure (excluding interest outstanding of $54.9 million) to bonds issued by the Puerto Rico Electric Power Authority ("PREPA") of which $155.9 million (excluding interest outstanding of $48.5 million) is ceded to Syncora Capital Assurance.

  PREPA's access to liquidity was adversely affected when the Government Development Bank for Puerto Rico announced in 2014 that it would no longer extend loans to certain public corporations such as PREPA, for which there is not a demonstrated ability to repay. In June 2014, the Commonwealth enacted the Puerto Rico Public Corporation Debt Enforcement and Recovery Act, which created a legal framework for public corporations such as PREPA to restructure. On February 6, 2015, the Act was ruled unconstitutional by the District Court for the District of Puerto Rico, a decision that was upheld by the First Circuit Court of Appeals on July 7, 2015. The Commonwealth has since appealed the case to the U.S. Supreme Court. Several bills have also been proposed in the U.S. Congress to allow Puerto Rico's municipalities and public corporations to file for Chapter 9 bankruptcy protection under the Federal Bankruptcy Code. These proposals include a so-called "Super Chapter 9" proposal which would allow the Commonwealth of Puerto Rico to restructure its debts as well as those of its municipalities.

  On August 14, 2014, the Company, other financial guarantors and certain bondholders entered into a forbearance agreement with PREPA, which provided that, among other things, the forbearing creditors agree not to exercise remedies until March 31, 2015. The forbearance agreement has been amended multiple times, extending the forbearance termination date to September 18, 2015. The bondholders have continued to extend their forbearance agreement with PREPA without the participation of the Company and the other financial guarantors.

On September 2, 2015, PREPA announced that it had developed a Recovery Plan Term Sheet with an ad hoc group of bondholders, and on September 22, 2015, PREPA announced that it had reached an agreement in principle with its bank lenders, in each case to restructure the related debt held by those creditor groups. On November 5, 2015, PREPA entered into a restructuring support agreement with the ad hoc bondholder group and the bank lenders formalizing the previously announced economic terms. On December 23, 2015, PREPA entered into the Amended and Restated Restructuring Support Agreement (the "RSA"), which added the terms of a restructuring of the bonds insured by National Public Finance Guarantee Corporation ("National") and Assured Guaranty Municipal Corp. ("Assured"). Under the RSA, Syncora Guarantee and PREPA agreed to negotiate a restructuring of the bonds insured by Syncora Guarantee by January 22, 2016, subject to the approval of the ad hoc bondholder group, the bank lenders, National and Assured. On January 27, 2016, the parties entered into a new restructuring support agreement on terms substantially similar to the RSA, which, among other things, extended the January 22, 2016 deadline. Legislation authorizing the implementation of the recovery plan was enacted into law on February 16, 2016. The recovery plan is subject to the assignment of an investment grade rating to the restructuring bonds and other conditions precedent.

There is significant risk and uncertainty related to PREPA's ability to implement the recovery plan and the terms of the restructuring of the bonds insured by the Company as well as the effect on PREPA of Puerto Rico's weak economy, high debt load and limited liquidity. In the event that Syncora Capital Assurance is unable to meet its obligations under its reinsurance agreement, the Company may experience losses on its exposure to PREPA which could have a material adverse effect on the Company's liquidity and financial position.

- The Company also has $112.6 million of net par exposure (excluding interest outstanding of $36.1 million) through primarily reinsurance of General Obligation bonds and other obligations of Puerto Rico's instrumentalities. If Puerto Rico or any of its instrumentalities were to default on their debt obligations, the Company may experience losses on these insured obligations which could have a material adverse effect on the Company's surplus, liquidity and financial position.

- The Company also continues to have significant exposure to a number of large structured single risk transactions (9 transactions with an aggregate insured net principal outstanding of $1.7 billion) with material risk of adverse development, including event driven risks, such as political, operational, bankruptcy, legal and regulatory actions. Such adverse events could have a material adverse effect on the Company's surplus, liquidity and financial position.

- Syncora Guarantee also holds 100% of the common shares issued by Syncora Capital Assurance. Syncora Capital Assurance's ability to pay dividends on such common shares is subject to risks and uncertainties, including, without limitation, prior regulatory approval by the NYDFS and compliance with certain contractual restrictions. No assurance can be given as to whether or when Syncora Guarantee or Syncora Capital Assurance may be able to pay any dividends on its preferred and/or common shares.

- The Company's subsidiary, Syncora Capital Assurance has significant exposure to public finance transactions (including Puerto Rico), structured single risk and collateralized debt obligations. These exposures continue to pose a risk of material adverse development. Reductions in the carrying value of the Company's investment in Syncora Capital Assurance could, directly or indirectly, have a material adverse effect on the Company's surplus and liquidity position.

- Any payment of principal or interest on the long-term surplus note issued by Syncora Capital Assurance, which is held by Syncora Guarantee, is subject to the satisfaction of conditions precedent, including, without limitation, prior regulatory approval by the NYDFS and compliance with contractual restrictions in the 2009 MTA. To date, the NYDFS has permitted Syncora Capital Assurance to make payments to Syncora Guarantee on its long-term surplus note. On December 28, 2015, the NYDFS approved the semi-annual payment of $6.1 million of interest on its long-term note from Syncora Capital Assurance to Syncora Guarantee. No assurance can be given as to whether and when the NYDFS will approve future payments of interest or principal on Syncora Capital Assurance's $200 million long-term surplus note (the "Existing Surplus Note"). The failure of Syncora Guarantee to (i) receive all future principal and interest payments of $270.0 million due from Syncora Capital Assurance under the Existing Surplus Note or any surplus notes to be issued by Syncora Capital Assurance to the Company (pursuant to the capital support agreement or otherwise) ("Future SCAI Surplus Notes") or (ii) monetize or realize value from the Existing Surplus Note or any Future SCAI Surplus Notes could have a material adverse effect on Syncora Guarantee's anticipated liquidity position.

- The Company and Syncora Capital Assurance entered into an intercompany capital support agreement whereby the Company has agreed to purchase up to $100 million of additional Syncora Capital Assurance surplus notes if Syncora Capital Assurance's surplus at the end of the prior quarter is below $100 million, or is projected to be below $100 million at the end of the coming quarter, so long as the Company's surplus as of the prior quarter is not less than $100 million. Such a purchase (without any subsequent sale to a third party) could place further demands on the Company's liquidity, exacerbate the Company's potential "liquidity mismatch" and otherwise have a material adverse effect on the Company's liquidity position. There can be no assurance that the Company will have sufficient surplus to purchase the surplus notes if needed by Syncora Capital Assurance.

- Any payment of principal or interest on the short-term and long-term surplus notes issued by Syncora Guarantee is subject to the satisfaction of conditions precedent, including, without limitation, prior regulatory approval by the NYDFS. Syncora Guarantee was obligated by the terms of its short-term surplus notes to pay the outstanding principal balance of $150 million, together with paid-in-kind interest and accrued and unpaid interest, totaling approximately $169.6 million that matured on December 28, 2011, however, the NYDFS did not approve the payment, and accordingly, the payment was not made. In December 2015 (for both the short-term and long-term surplus notes), Syncora Guarantee sought approval for payment of interest. The NYDFS did not approve any such payments. Notwithstanding the Company's litigation settlements and its remediation transactions, Syncora Guarantee remains exposed to significant risks and uncertainties that may materially and adversely affect its financial condition, liquidity position and ability to make payments on its surplus notes. Consequently, there is significant uncertainty and there can be no assurance as to whether and when the NYDFS will approve any future payments on the short-term or long-term surplus notes. Any payment by Syncora Guarantee of principal or interest on its short-term or long-term surplus notes could have a potential material adverse effect on Syncora Guarantee's prospective policyholders' surplus and liquidity position.

- As discussed in more detail in Note 11, the Company has exercised rights available to it in connection with certain RMBS it insures and has issued put-back notices to sponsors of such securities to require the repurchase of mortgage loans which back the securities and has recorded a reduction in its reserves for losses at December 31, 2015, which reflects its estimate of its ultimate recovery from such repurchases. Sponsors have disputed the Company's right to require them to repurchase the aforementioned mortgages and the Company is involved to enforce these rights. If the Company is unsuccessful in enforcing its rights and does not realize the benefit it recorded through the aforementioned reduction in its reserves as and when expected, it may have a material effect on the Company's anticipated liquidity position and policyholders' surplus. Likewise, if the Company is successful in enforcing its rights in an amount greater than the benefit it recorded through the aforementioned reduction in reserves, it may have a materially positive effect on the Company's liquidity position and policyholders' surplus. The Company periodically engages in discussions attempting to resolve these claims. While a negotiated resolution could result in an amount below that recorded in the aforementioned reserve reductions, it could also result in an amount greater than such reductions.

- As a result of the RMBS Offer (as defined in Note 2), alternative transactions effectively replicating the RMBS Offer and direct purchases of insured securities the Company has effectively defeased or, in substance, commuted its exposure to certain insured transactions. The effectiveness of these structures is dependent upon the ability of the Company to receive payments on its Insurance Cash Flow Certificates. Failure of the Company to receive these payments would have a material adverse effect on the Company.

- Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's in-force business requires the use and exercise of significant judgment by management, including estimates regarding the likelihood of occurrence, timing and amount of a loss on a guaranteed obligation. A material portion of the Company's case basis reserves reflect certain assumptions with respect to recoveries on rights available to the Company in connection with certain RMBS it insures that require the sponsors of such securities to repurchase mortgage loans that breached certain representations and warranties (see Note 11). Similarly, a material portion of the Company's case basis reserves reflects certain assumptions that affect reimbursements in the remainder of its insured and reinsured portfolio. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, recoveries in bankruptcy proceedings, changes in the value of specific assets supporting guaranteed obligations, changes in the level of investment yield and changes in the timing, level of success and collectability of the aforementioned mortgage loan repurchases. Both qualitative and quantitative factors are used in making such estimates. From time to time the Company reevaluates all such estimates. Changes in these estimates may be material and may result in material changes in the Company's policyholders' surplus. Any estimate of future costs is subject to the inherent limitation on management's ability to predict the aggregate course of future events. It should, therefore, be expected that the actual emergence of losses and claims will vary, perhaps materially, from any estimate. The risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed.

- Failure to make claim payments by Syncora Guarantee in the future (see discussion of regulatory and legal matters below) could have a number of material adverse consequences, including, but not limited to litigation, potential loss of control rights, the potential assertion of mark-to-market termination payments by counterparties to swap contracts guaranteed by Syncora Guarantee on which Syncora Guarantee fails to pay a claim, and policyholders potentially withholding premium payments. There can be no assurance that there would not be other material adverse consequences of Syncora Guarantee's failure to make claim payments.

- The Company is involved in a number of legal proceedings, both as plaintiff and defendant. Management cannot predict the outcomes of these legal proceedings and other contingencies with certainty. The outcome of some of these legal proceedings and other contingencies could require the Company to take or refrain from taking actions which could adversely affect its business or could require the Company to pay (or fail to receive) substantial amounts of money. Similarly, a favorable outcome of the suits where the Company is the plaintiff, could entitle the Company to receive (directly or indirectly) substantial recoveries. A favorable or unfavorable outcome could have a material effect on the Company's policyholders' surplus and liquidity position. Prosecuting and defending these lawsuits and proceedings involves significant expense and diversion of management's attention and resources from other matters.

- Syncora Guarantee continues to be materially exposed (directly and indirectly) to risks associated with the financial condition of other financial guarantors, including the placement of a financial guarantor into rehabilitation or liquidation. Such exposure may arise as a result of (i) direct contractual dealings with a financial guarantor such as reinsurance (whether as ceding company or reinsurer), or (ii) indirectly by means of (a) "wrapping over" another financial guarantor (which exposes Syncora Guarantee to the credit risks of the insured transaction directly) or (b) participating in an insured transaction with such other financial guarantor (where such rehabilitation or liquidation could have an effect on the insured transaction or the rights and remedies available to the Company). The ultimate effects of the financial condition of other financial guarantors or any such rehabilitation or liquidation are unknown, as is the effect, if any, on potential claim payments and the ultimate amount of losses Syncora Guarantee may incur on obligations it has guaranteed and such effects may be materially adverse to Syncora Guarantee's financial position.

- In addition to exposure to general economic factors including stress in the energy sector, Syncora Guarantee is exposed to the specific risks faced by the particular businesses, municipalities or pools of assets covered by its financial guarantee products. In light of the continuing economic and financial stresses in the United States and Europe, various businesses and municipalities are facing financial difficulties. In addition, catastrophic events or terrorist acts could adversely affect the ability of public sector issuers to meet their obligations with respect to securities insured by Syncora Guarantee and Syncora Guarantee may incur material losses due to these exposures if the economic stress caused by these or other events is more severe than Syncora Guarantee currently foresees. Other events, such as interest rate changes or volatility, could, in certain instances, also materially affect Syncora Guarantee or its insured obligations.

- Changes in laws and regulations affecting insurance companies, the municipal and structured securities markets, the financial guarantee insurance and reinsurance markets and the credit derivatives markets, as well as other governmental regulations, or acts may subject Syncora Guarantee, its affiliates and subsidiaries to additional legal liability and regulatory requirements, affect the credit performance of the securities that Syncora Guarantee insures and otherwise affect the Company's financial condition.

- The Company has sought, and may in the future seek, the NYDFS's approval of permitted accounting practices and other regulatory relief which have, and if granted may have, a material effect on the Company's policyholders' surplus. Once granted, these permitted accounting practices have been subject to an annual approval or confirmation. No assurance can be given that the NYDFS will continue to grant approval of the Company's past or any future permitted accounting practices or requested regulatory relief. Failure to obtain continuing approval of the past or future permitted accounting practices or requested regulatory relief could have a material adverse effect on the Company's policyholders' surplus. See Note 4. for discussion of permitted accounting practices.

- Should the Company experience an "ownership change" for purposes of Section 382 of the Internal Revenue Code, the Company's ability to utilize its net operating loss carryforwards could be subject to an annual limitation in the future, which would be expected to result in a material increase in the Company's U.S. federal income tax liability, reduce reimbursements from profitable affiliates under its tax sharing agreement and therefore materially adversely affect the

Company's surplus and liquidity position. While the Syncora Holdings Ltd. bye-laws contain restrictions intended to reduce the likelihood of such an "ownership change," it remains possible that an "ownership change" could nonetheless occur. These limitations may prevent Syncora Holdings Ltd. from taking certain strategic actions or may make it more difficult for Syncora Holdings Ltd. to attract additional capital. See Note 12. for more information.

- Notwithstanding the amendment to the MTA obtained by the Company on August 24, 2015, as discussed in Note 2, the Company remains subject to certain contractual and regulatory restrictions that limit its financial and operating flexibility and may materially and adversely impair its ability to execute on its strategic plan. See below Description of the Company's On-Going Strategic Plan and associated risks.

- The Company relies upon information technology and systems, including those of third parties, to support a variety of its business processes and activities. In addition, the Company has collected and stored confidential information. The Company's data systems and those of third parties on which it relies may be vulnerable to security breaches from external and internal factors. Problems in, or security breaches of, these systems could result in, among other things, reputational harm, the disclosure or misuse of confidential or proprietary information, inaccurate loss projections, legal costs and regulatory penalties. As the Company's business operations rely on the continuous availability of its computer systems, as well as those of certain third parties, a failure to maintain business continuity in the wake of disruptive events could prevent the timely completion of critical processes across its operations, including, for example, claims processing and investment operations. These failures could result in additional costs, fines and litigation.

Assessment of the Company's Ability to Continue as a Going Concern

As a result of multiple substantial remediation transactions and litigation recoveries, management has concluded that, through December 31, 2016, there is not substantial doubt about the ability of the Company to continue as a going concern. Notwithstanding management's conclusion that there is not substantial doubt about the ability of the Company to continue as a going concern through December 31, 2016, the Company remains exposed to significant risks and uncertainties, including the potential "liquidity mismatch". The Company will continue to assess its going concern status on an ongoing basis.

Description of the Company's On-Going Strategic Plan

Management continues to pursue opportunities to mitigate the aforementioned significant risks and uncertainties described above. In particular, management continues to actively seek to (i) remediate insured exposures (through their purchase on the open market or otherwise, commutation, defeasance or other restructuring) to minimize potential claim payments, maximize recoveries and mitigate potential losses, (ii) increase the Company's capital, financial position, liquidity, claims paying resources and reduce its liabilities (including through additional third-party capital), (iii) realize maximum value, monetize and/or finance its assets, including but not limited to its net operating losses, investments in subsidiaries and various legal proceedings described in Note 13. and from any other rights and remedies the Company may have, whether through litigation, settlement, sale or other monetization, (iv) enhance returns from its investments to match its long-term liabilities, (v) take other actions to enhance its current and future financial, liquidity, capital and surplus position, (vi) rationalize and optimize its capital structure, which could potentially involve the issuance, exchange and/or retirement of securities issued by the Company and its affiliates and/or modification of the corporate structure of the Company and its affiliates, (vii) continue to discuss and explore ways of further increasing its financial and operating flexibility with existing security holders and other interested parties, including additional amendments, removal, modification and/or waiver of financial, operating and other contractual constraints (see Note 2. for a description of key remaining constraints), and (viii) together with its affiliates, to explore new business opportunities to enhance stakeholder value (hereafter collectively referred to as "Strategic Actions").

In regard to the Strategic Actions, the Company, working with its external advisors and counsel, is actively pursuing or exploring (including through input from and discussions with various holders of securities of the Company and its affiliates) a number of options available to it which, individually, or in the aggregate, may materially affect (favorably or adversely) the Company's policyholders' surplus, liquidity position or address other challenges that the Company faces. No assurances can be given that the Company will be successful in completing any of the aforementioned actions. Moreover, transactions contemplated by the Strategic Actions may not be feasible or economically viable or ultimately be successful in creating value. Furthermore, certain of the Strategic Actions contemplated by the Company may be outside the ordinary course of the Company's operations or its control and may require consents, approvals or cooperation of parties outside of the Company, including the NYDFS, and there can be no assurance that any such consents, approvals or cooperation will be obtained on a timely basis or at all.

4. Summary of Significant Accounting Policies

Accounting Practices

Syncora Guarantee prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the NYDFS. The NYDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), has been adopted as a component of prescribed or permitted practices by the State of New York. The state has adopted certain prescribed accounting practices that differ with those found in NAIC SAP. The NYDFS has the right to permit other specific practices which deviate from prescribed practices.

Set forth below is a reconciliation of the net income (loss) and capital and surplus (deficit) reported in accordance with NAIC SAP to such amounts reported in the accompanying financial statements prepared in accordance with statutory accounting practices prescribed or permitted by the NYDFS as of and for the years ended December 31, 2015 and 2014:

(U.S. Dollars in thousands)

	Net Income (Loss)		Capital and Surplus (Deficit)	
Description	**2015**	**2014**	**2015**	**2014**
NAIC SAP Basis	$ 1,930,021	$ (40,505)	$ 236,911	$ (1,719,990)
Effect of NY prescribed practices				
(a)	-	-	-	-
Effect of NY permitted practices				
(b)	-	-	398,638	387,424
(c)	(1,761,627)	47,705	375,261	2,136,888
(d)	-	-	-	-
(e)	40,575	(59,942)	76,147	51,674
NY Basis	$ 208,969	$ (52,742)	$ 1,086,957	$ 855,996

Permitted or Prescribed Practices

(a) Pursuant to certain prescribed accounting practices under Articles 14 and 69 of the NYIL that differ with those found in NAIC SAP, the admissible carrying value of a share of an insurer is limited to a stipulated percentage of policyholders' surplus, and investments in certain securities (including the Uninsured Cash Flow Certificates (see Note 2)) are also subject to limitations. In connection with the 2009 MTA discussed in Note 2, the NYDFS permitted the Company to admit these assets notwithstanding the otherwise applicable limitations, which resulted in no difference between NAIC SAP and NY basis.

(b) Pursuant to approval granted by the NYDFS in accordance with section 6903 of the NYIL, as of December 31, 2015 and December 31, 2014, the Company has de-recognized $398.6 million and $387.4 million, respectively, in the aggregate, of contingency reserves on terminated policies, and policies on which the Company has established case reserves, whereas under NAIC SAP the Company would still be required to carry such reserves. The Company applies the permitted practice described above to release contingency reserves on an obligation by obligation basis under policies insuring multiple obligations rather than on a policy by policy basis.

(c) The NYDFS granted the Company a permitted practice to de-recognize reserves for unpaid losses, unearned premium reserve and contingency reserves relating to, and expense payments (which are reflected in "Net losses and loss adjustment expenses " on the Statements of Operations and Changes in Capital and Surplus ("Statements of Operations")) made to effect, certain transactions executed in connection with its continued remediation efforts described in Note 2 which effectively defeased or, in-substance, commuted, in whole or in part, the policies relating thereto, whereas under NAIC SAP such reserves would continue to be carried until such time the underlying contracts were legally extinguished and the payments made to effect the transactions would have resulted in the recording of an asset, as such payments were made in exchange for the assignment to the Company or an affiliate of the Company of all rights under the aforementioned policies. As of December 31, 2015, such de-recognized reserves for unpaid losses, unearned premium reserve and contingency reserves (as of the date of the effective defeasance or, in-substance commutations) aggregated $6.1 billion, $4.2 million and $3.1 million, respectively. As of December 31, 2014, such de-recognized reserves for unpaid losses, unearned premium reserve and contingency reserves (as of the date of the effective defeasance or, in-substance commutations) aggregated $6.1 billion, $4.2 million and $3.1 million, respectively. As of December 31, 2015, the Company no longer sought approval for the de-recognition of unpaid losses, unearned premium reserves and contingency reserves relating to, and expense payments made which effectively defeased or, in-substance, commuted certain CDS contracts executed in connection with the consummation of the 2009 MTA and that were previously disclosed on an aggregate basis. As such CDS contracts were legally extinguished as of December 31, 2015, the associated reserves were released under NAIC SAP resulting in no difference between NAIC SAP and NY basis, and therefore the permitted practice is no longer required.

(d) The NYDFS granted the Company a permitted practice to value the surplus notes issued by the Company in settlement of certain policy obligations in connection with the 2009 MTA (see Note 2) at original face value of $625.0 million in the aggregate, as compared to the estimated fair value thereof, that the Company would otherwise have been required to reflect such surplus notes in accordance with NAIC SAP. Any adjustment to the carrying value of surplus notes would result in an equal and offsetting adjustment to unassigned funds. As both surplus notes and unassigned funds are elements of policyholders' surplus, a change in the value of the surplus notes would not affect policyholders' surplus.

(e) The NYDFS granted the Company a permitted practice to account for its ownership of the common stock of American Roads entities as salvage recoverable using a discounted cash flow model, which is deducted from the liability for unpaid claims or losses, whereas under NAIC SAP, the Company would be required to record its 100% equity ownership of the American Roads entities using GAAP equity value.

The Company has obtained confirmation of these permitted practices as of December 31, 2015 and 2014 and plans to seek annual confirmation of these permitted practices for the year ended December 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the NYDFS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from estimates and those differences may be material.

In addition to the permitted practices described above, Syncora Guarantee utilizes the following accounting policies in the preparation of the accompanying financial statements:

Investments

Bonds

Bonds (which consist of bonds and loan-backed securities) with an NAIC designation of 1 or 2 (highest-quality and high-quality) are stated at cost, adjusted for amortization of premium and accretion of discount, which is calculated using the constant yield method. Bonds with an NAIC designation of 3 through 6 (medium quality, low quality, lowest quality and in or near default) are stated at the lower of amortized cost, adjusted for amortization of premium and accretion of discount calculated using the constant yield method, or fair value. The prospective method is used to value loan-backed securities.

Syncora Guarantee employs a third party investment accounting service provider. Prepayment assumptions for loan-backed securities are obtained from a third party pricing service or determined using Syncora Guarantee's internal estimates.

The following table presents the carrying value of Syncora Guarantee's securities by NAIC designation at December 31, 2015:

(U.S. Dollars in thousands)

	Bonds	Short-term investments	Cash equivalents	Total
NAIC designation 1	$ 769,359	$ 95,279	$ 36,985	$ 901,623
NAIC designation 2	39,066	-	-	39,066
NAIC designation 3	1,196	-	-	1,196
NAIC designation 4	-	-	-	-
NAIC designation 5	10,386	-	-	10,386
NAIC designation 6	52,243	-	-	52,243
	$ 872,250	$ 95,279	$ 36,985	$1,004,514

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include cash on hand, amounts due from banks, money market instruments and commercial paper. Cash equivalents include investments owned whose maturities at the time of acquisition were three months or less. Short-term investments are stated at amortized cost and consist primarily of investments having maturities greater than three months from the date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value.

Investment in Subsidiaries

Syncora Guarantee's investment in the common stocks of its wholly owned insurance subsidiaries are accounted and reported under the equity method as described in SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities", and valued in accordance with section 3(ii)(D) of the NAIC Valuations Securities manual. Changes in the carrying value of such investments are reflected as unrealized gains or losses in capital and surplus.

Syncora Guarantee recorded its initial investment in the surplus notes of Syncora Capital Assurance at the principal or face amount of such notes. The remaining amount of capitalization of $191.5 million ($541.5 million less $350.0 million) was initially attributed to the carrying value of Syncora Guarantee's investment in the common shares of Syncora Capital Assurance. Additionally, on November 13, 2014, the Company made a $30.0 million capital contribution to Syncora Capital Assurance.

The Company carries its investment in the common shares of Syncora Capital Assurance at an amount equal to its proportionate share of Syncora Capital Assurance's policyholders' surplus excluding the statutory carrying value of its surplus notes as required pursuant to SSAP 97. To the extent that Syncora Capital Assurance reports a policyholders' deficit excluding the statutory carrying value of its surplus notes, the Company will reduce the carrying value of its investment in Syncora Capital Assurance's common shares to zero. Any excess deficit will then serve to reduce the carrying value of Syncora Capital Assurance's surplus notes owned by the Company, but in no event by more than the par value or face amount of such surplus notes. Any such remaining deficit will be attributed to, and recorded as the carrying value of, the common shares of Syncora Capital Assurance owned by the Company to the extent of any capital support commitments the Company has to Syncora Capital Assurance (none as of December 31, 2015 and December 31, 2014). Syncora Capital Assurance prepares its statutory financial statements in accordance with accounting permitted practices granted by the NYDFS. Without such accounting permitted practices, Syncora Capital Assurance's policyholders' surplus would have been $(316.0) million and $(297.5) million at December 31, 2015 and 2014, respectively and net income would have been $(27.1) thousand and $(180.7) million for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, Syncora Guarantee recorded $192.1 million and $164.5 million, respectively, of surplus notes.

Derivative Instruments

Derivative instruments are recorded at an estimated fair value with changes in fair value recorded as unrealized gains and losses which are included in "Capital and surplus" on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Net Investment Income

Net investment income includes interest and dividends received or accrued on investments. It also includes amortization or accretion of any purchase premium or discount using the constant yield method, adjusted prospectively for any change in estimated yield to maturity. Investment income is recognized when earned. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment expenses. In addition, investment income due and accrued that is greater than 90 days past due is non-admitted and charged directly to capital and surplus.

Realized Investment Gains and Losses and Impairments

Realized investment gains and losses on the sale of investments are determined on the basis of the first-in, first-out method and are included in net income.

The Company conducts a review to identify and evaluate investments that have indications of possible other-than- temporary impairment. An impairment of an investment shall be considered to have occurred if it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the security. If the fair value of the investment is less than the carrying value and the Company determines that the decline in the value of the investment is other-than-temporary, the investment is written down to its fair value and a realized loss is recorded in the Statements of Operations. In addition, for securities that the Company has the intent to sell or the inability or the lack of intent to retain the securities for a period of time sufficient to recover the amortized cost, the securities are written down to fair value and the other-than-temporary impairment charge is recorded as a realized loss in the Statements of Operations.

Premium Revenue Recognition

Premiums are received either upfront or in installments and are recognized as written when due. Accordingly, future installment premiums are not recognized as receivable until they are due. Once due, installment premiums written are earned ratably over the installment period, generally one to six months, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest paid during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation.

In addition, when an insured issue is retired early, is called by the issuer or is in substance paid in advance through a refunding accomplished by placing U.S. Government securities in escrow, any remaining unearned premium revenue is earned at that time, since there is no longer risk to the Company. Also, premiums earned may be accelerated as a result of the Company's remediation transactions, which result in the Company no longer being at risk. Premiums earned by Syncora Guarantee for the years ended December 31, 2015 and 2014 include $53.3 million ($18.7 million net of reinsurance) and $22.9 million ($10.2 million net of reinsurance), respectively, related to accelerations. As premium revenue is recognized there is a corresponding decrease in the unearned premium reserve.

Fees and Other Income

In connection with certain of its insured transactions, Syncora Guarantee may collect waiver, consent, termination and other fees. Depending upon the type of fee received, the fee is either earned when services are rendered and the fee is due, or deferred and earned over a stipulated period or the life of the related transaction.

Underwriting Expenses

Underwriting expenses primarily include compensation and employee benefits, professional and legal fees, computer related costs, rent and occupancy costs, depreciation and amortization expense, and other general and administrative expenses.

Mandatory Contingency Reserve

In accordance with NAIC SAP, a statutorily mandated contingency reserve is established net of reinsurance by an appropriation of unassigned surplus and is reflected in the Statements of Admitted Assets, Liabilities and Capital and Surplus. This reserve is calculated as the greater of a prescribed percentage applied to insured original principal or 50% of premiums written, net of ceded reinsurance. The prescribed percentage varies by the type of business. Once the reserve is calculated, as described above, it is incrementally recognized in the financial statement over a prescribed time period based on type of business. Reductions in the contingency reserve may be recognized under certain stipulated conditions, subject to the approval of the NYDFS. As discussed above, pursuant to approval granted by the NYDFS, in accordance with section 6903 of the NYIL, Syncora Guarantee has de-recognized contingency reserves on terminated policies, as well as on policies on which it has established case reserves.

Losses and Loss Adjustment Expenses

Reserves for losses and loss adjustment expenses on insured business are established by Syncora Guarantee with respect to a specific policy or contract upon, (i) receipt of a claim notice or when management determines that a claim is probable in the future based on specific credit events that have occurred, and (ii) the amount of the ultimate loss that Syncora Guarantee will incur can be reasonably estimated. The amount of such case basis reserve is based on the net present value of the expected future net cash outflows for loss and loss adjustment expense payments that Syncora Guarantee expects to make, net of expected recoveries under salvage and subrogation rights and the net present value of installment premiums due from the counterparties to such guarantees subsequent to the balance sheet date. The future expected cash outflows are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation plus anticipated loss adjustment expenses, and (ii) anticipated cash flow from the collateral supporting the obligation and other anticipated recoveries or cash flows.

A number of quantitative and qualitative factors are considered when determining or assessing the need for a case basis reserve. These factors may include the creditworthiness of the underlying issuer of the insured obligation, whether the obligation is secured or unsecured, the projected cash flow or market value of any assets that collateralize or secure the insured obligation, and the historical and projected loss rates on such assets. Other factors that may affect the actual ultimate loss include the state of the economy, changes in interest rates, rates of inflation and the salvage values of specific collateral, as well as the Company’s rights, remedies and defenses. Such factors and management’s assessment thereof will be subject to the specific facts and circumstances associated with the specific insured transaction being considered for case reserve establishment. Case basis reserves are generally discounted at a rate reflecting the duration weighted average return on Syncora Guarantee’s invested assets at year end. Establishment of such reserves requires the use and exercise of significant judgment by management, including estimates regarding the occurrence, amount, and timing of a loss on an insured obligation. Actual experience may differ from estimates and such difference may be material, due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred. Examples of these events include changes in the level of interest rates, credit deterioration of insured obligations, and changes in the value of specific assets supporting insured obligations. Any estimate of future costs is subject to the inherent limitation on Syncora Guarantee’s ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and loss adjustment expenses will vary, perhaps materially, from any estimate.

Reserves for unpaid losses and loss adjustment expenses in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus are reflected net of reinsurance.

See also the discussion of the permitted or prescribed practices in Note 4.(c) to the table above.

CDS Contracts

Syncora Guarantee accounted for its insurance of CDS contracts issued by the affiliated trusts as insurance under NAIC SAP. As of December 31, 2015 the Company no longer has any CDS contracts.

Reinsurance

Reinsurance premiums ceded are earned on a basis consistent with premiums written on a direct basis as discussed above, respectively. Syncora Guarantee is allowed a ceding commission on ceded premiums written under the terms of its reinsurance agreements. To the extent such ceding commission exceeds acquisition costs, amounts are deferred and amortized to income over the life of the policy.

Liability for Unauthorized Reinsurance

The Company must recognize as a liability in its financial statements for any credit recorded therein for ceded reinsurance liabilities to authorized and unauthorized reinsurance companies, unless such reinsurance companies have secured such obligations through funds on deposit with the ceding company, a letter of credit or by some other means generally recognized under NAIC SAP or by the NYDFS irrespective of whether the Company believes such amounts are ultimately collectible from the reinsurer.

Income Taxes

Syncora Guarantee files a consolidated tax return with its parent company, Syncora Holdings US Inc., and certain other affiliates. The entities included in the consolidated tax return maintain a tax sharing agreement, whereby the consolidated tax liability is allocated among such entities based on the ratio of their separate return liability to the sum of the separate return liabilities of all such entities. In addition, a complementary method is used which results in reimbursement by profitable entities to loss entities for tax benefits generated by loss entities. Accordingly, the provision for federal income taxes represents Syncora Guarantee's allocated share of tax expense based on income from operations currently taxable and estimated to be payable to the Internal Revenue Service by Syncora Holdings US Inc. Increases or decreases in certain federal income tax liabilities established in prior years are reflected as adjustments to surplus. Federal tax amounts payable and/or receivable in the accompanying financial statements represent amounts due to and/or from Syncora Holdings US Inc.

Syncora Guarantee records deferred federal income taxes for temporary differences between the statutory basis and tax basis of assets and liabilities. A net deferred tax asset is recorded only to the extent it is expected to be realized in accordance with the applicable statutory accounting for income taxes. Amounts in excess of such limit are recorded as non-admitted assets. Changes in the admitted deferred tax asset or liability are recorded directly to unassigned surplus. In addition, a valuation allowance is recorded when it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. As of December 31, 2015 and 2014, Syncora Guarantee's net deferred tax assets were subject to a full valuation allowance (see Note 12).

Admitted Assets

The assets included in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus are stated at values that are prescribed or permitted by the NYDFS. Assets designated as non-admitted are charged directly to unassigned surplus. There were $25.1 million and $18.5 million of non-admitted assets charged to unassigned surplus at December 31, 2015 and 2014, respectively. Non-admitted assets as of December 31, 2015 and 2014, were primarily comprised of receivables from parent, subsidiaries and affiliates of $22.9 million and $16.5 million, respectively.

5. Investments

In accordance with the NYIL, financial guarantee insurance companies are restricted as to the types of investments they may purchase for their minimum capital and surplus and as to concentration of risk they may accept in one issuer or group of issuers.

Bonds with an amortized cost of $5.7 million and a fair value of $6.2 million at December 31, 2015 were on deposit with twelve states and the Commonwealth of Puerto Rico as required by the respective insurance regulatory departments.

The amortized cost and fair value for bonds as of December 31, 2015 and 2014 are as follows:

(U.S. Dollars in thousands)

	Cost or Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	
	2015	2014	2015	2014	2015	2014	2015	2014
U.S. Government and government agencies and authorities	$117,909	$115,251	$ 1,325	$ 2,436	$ -	$ -	$119,234	$117,687
Obligations of states, territories and possessions	204	1,624	16	22	-	-	220	1,646
Obligations of political subdivisions	262	36	50	14	-	-	312	50
Special revenue and assessment obligations of agencies and authorities of government and political subdivisions	187,162	153,299	1,280	474	-	-	188,442	153,773
Industrial and miscellaneous obligations	566,713	614,000	2,712	4,952	-	-	569,425	618,952
Total	$872,250	$884,210	$ 5,383	$ 7,898	$ -	$ -	$877,633	$892,108

The amortized cost and fair value of bonds at December 31, 2015, by contractual maturity, are shown below. Actual maturity may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities are generally more likely to be prepaid than other bonds. As the stated maturities of such securities may not be indicative of actual maturities, the totals for mortgage-backed securities are shown separately.

	2015	
(U.S. Dollars in thousands)	Amortized Cost	Fair Value
Within one year	$ 46,981	$ 47,282
Due after one year through five years	505,807	506,797
Due after five years through ten years	20,023	20,605
Due after ten years	53,036	54,975
Subtotal	625,847	629,659
Mortgage-backed securities	246,403	247,974
Total	$ 872,250	$ 877,633

Proceeds from sales, maturities and redemptions of bonds for the years ended December 31, 2015 and 2014 were $413.0 million and $400.3 million, respectively.

Net investment income for the years ended December 31, 2015 and 2014 consisted of the following:

(U.S. Dollars in thousands)	2015	2014
U.S. Government and government agencies and authorities	$ 2,184	$ 2,158
Obligations of states, territories and possessions	43	48
Obligations of political subdivisions	7	15
Special revenue and assessment obligations of agencies and authorities of government and political subdivisions	2,018	1,210
Industrial and miscellaneous obligations	23,529	21,816
Cash, cash equivalents and short-term investments	419	31
Syncora Capital Assurance surplus notes	12,167	12,167
Other	6	-
Subtotals	40,373	37,445
Less: investment expenses	(940)	(970)
Net investment income	$ 39,433	$ 36,475

The gross realized gains and gross realized losses for the years ended December 31, 2015 and 2014 are as follows:

(U.S. Dollars in thousands)	Gains		Losses	
	2015	2014	2015	2014
Bonds	$ 4,330	$ 4,289	$ (7,347)	$ (2,581)
Short-term investments	2	-		-
Preferred Stocks (Unaffiliated)	-	-	(20)	-
Common Stocks of Affiliates	17,417	-	-	-
Total gross realized gains (losses), before tax	$ 21,749	$ 4,289	$ (7,367)	$ (2,581)
Income tax expense			-	397
Net realized capital gains			$ 14,382	$ 1,311

For the years ended December 31, 2015 and 2014, Syncora Guarantee recorded other-than-temporary impairment charges on bonds of $7.0 million and $2.3 million, respectively, which are included in net realized capital gains/losses on the Statements of Operations.

For the years ended December 31, 2015 and 2014, Syncora Guarantee recorded other-than-temporary impairment charges on loan-backed securities of $5.1 million and $1.5 million, respectively, which were still held at December 31, 2015 and 2014.

The following table summarizes other-than-temporary impairments for loan-backed and structured securities held at December 31, 2015, recorded based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of these securities:

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
00205BAA6	$ 599,137	$ 598,507	$ 630	$ 598,507	$ 598,507	9/30/2015
00214JAC4	705,842	705,779	63	705,779	705,779	9/30/2015
00214JAC4	562,022	560,629	1,393	560,629	560,629	12/31/2015
02005ACW6	2,574,449	2,566,945	7,504	2,566,945	2,566,945	12/31/2015
02005ADF2	1,275,000	1,274,936	64	1,274,936	1,274,936	12/31/2015
03064LAB6	1,208,181	1,207,927	254	1,207,927	1,207,927	3/31/2015
03065EAD7	2,439,867	2,438,737	1,130	2,438,737	2,438,737	12/31/2015
05579UAC7	3,364,452	3,362,038	2,414	3,362,038	3,362,038	12/31/2015
05947U4D7	4,147,696	4,139,079	8,617	4,139,079	4,139,079	3/31/2015
05947U4D7	972,890	972,268	622	972,268	972,268	9/30/2015
05947U4E5	120,982	115,328	5,654	115,328	115,328	9/30/2015
059513AE1	204,967	203,241	1,726	203,241	203,241	12/31/2015
07387BAH6	44,314	44,298	16	44,298	44,298	6/30/2015
07387BCL5	4,129,205	4,128,102	1,103	4,128,102	4,128,102	3/31/2015
07387BCL5	2,313,577	2,311,191	2,386	2,311,191	2,311,191	6/30/2015
07387BEB5	1,278,326	1,277,411	915	1,277,411	1,277,411	9/30/2015
07387BFS7	1,243,592	1,240,584	3,008	1,240,584	1,240,584	9/30/2015
07387MAE9	2,666,693	2,664,190	2,503	2,664,190	2,664,190	3/31/2015
07388LAE0	2,788,534	2,783,048	5,486	2,783,048	2,783,048	6/30/2015
07388LAE0	2,660,888	2,659,882	1,006	2,659,882	2,659,882	9/30/2015
07388LAE0	2,353,829	2,343,480	10,349	2,343,480	2,343,480	12/31/2015
07388NAE6	5,023,945	5,023,601	344	5,023,601	5,023,601	3/31/2015
07388NAE6	4,802,401	4,797,013	5,388	4,797,013	4,797,013	6/30/2015
07388NAE6	4,896,698	4,868,278	28,420	4,868,278	4,868,278	9/30/2015
07388NAE6	4,771,110	4,741,231	29,879	4,741,231	4,741,231	12/31/2015
07388PAE1	3,912,165	3,893,741	18,424	3,893,741	3,893,741	9/30/2015
07388PAE1	3,797,018	3,762,334	34,684	3,762,334	3,762,334	12/31/2015
07388QAE9	37,806	37,792	14	37,792	37,792	3/31/2015
07388QAE9	4,168,531	4,160,561	7,970	4,160,561	4,160,561	9/30/2015
07388QAE9	4,002,365	3,974,748	27,617	3,974,748	3,974,748	12/31/2015
07388YAE2	2,181,725	2,124,199	57,526	2,124,199	2,124,199	12/31/2015
12513EAG9	4,098,215	4,090,288	7,927	4,090,288	4,090,288	3/31/2015
12513XAE2	3,459,044	3,450,677	8,367	3,450,677	3,450,677	3/31/2015
12513XAE2	3,355,146	3,354,309	837	3,354,309	3,354,309	6/30/2015
12513XAE2	2,215,580	2,215,401	179	2,215,401	2,215,401	9/30/2015
12513YAF7	4,398,885	4,387,705	11,180	4,387,705	4,387,705	6/30/2015
12513YAF7	4,355,772	4,346,638	9,134	4,346,638	4,346,638	9/30/2015
12513YAF7	3,854,102	3,824,256	29,846	3,824,256	3,824,256	12/31/2015
12514AAE1	3,547,534	3,520,720	26,814	3,520,720	3,520,720	3/31/2015
12514AAE1	3,494,386	3,477,827	16,559	3,477,827	3,477,827	6/30/2015

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
12514AAE1	3,453,912	3,420,284	33,628	3,420,284	3,420,284	9/30/2015
12514AAE1	3,385,341	3,310,672	74,669	3,310,672	3,310,672	12/31/2015
12615SAQ3	1,540,000	1,538,537	1,463	1,538,537	1,538,537	12/31/2015
12622DAA2	1,646,120	1,644,376	1,744	1,644,376	1,644,376	3/31/2015
12622DAA2	428,356	428,228	128	428,228	428,228	9/30/2015
12623MAD5	3,472,145	3,471,122	1,023	3,471,122	3,471,122	9/30/2015
12623MAD5	2,553,977	2,550,688	3,289	2,550,688	2,550,688	12/31/2015
12623SAE0	66,414	65,557	857	65,557	65,557	9/30/2015
12623SAE0	65,543	63,675	1,868	63,675	63,675	12/31/2015
12624FAC1	61,706	61,704	2	61,704	61,704	12/31/2015
12624KAD8	122,519	121,253	1,266	121,253	121,253	12/31/2015
12624QAR4	229,764	221,346	8,418	221,346	221,346	12/31/2015
12624VAA0	26,464	26,444	20	26,444	26,444	9/30/2015
12624VAA0	22,776	22,722	54	22,722	22,722	12/31/2015
12626BAA2	763,309	761,842	1,467	761,842	761,842	9/30/2015
12626BAA2	704,017	700,882	3,135	700,882	700,882	12/31/2015
12631BAA5	908,038	907,297	741	907,297	907,297	3/31/2015
12631BAA5	473,924	473,657	267	473,657	473,657	12/31/2015
126802CU9	1,019,888	1,019,663	225	1,019,663	1,019,663	6/30/2015
126802CU9	1,019,702	1,017,552	2,150	1,017,552	1,017,552	9/30/2015
126802CU9	1,017,961	1,017,419	542	1,017,419	1,017,419	12/31/2015
13975EAD5	3,174,176	3,174,094	82	3,174,094	3,174,094	12/31/2015
14313NAC6	1,056,490	1,056,419	71	1,056,419	1,056,419	12/31/2015
17119RAC6	300,743	300,721	22	300,721	300,721	12/31/2015
17119XAC3	1,106,637	1,106,361	276	1,106,361	1,106,361	12/31/2015
17309RAA0	234,317	230,424	3,893	230,424	230,424	12/31/2015
20047QAE5	4,274,588	4,272,965	1,623	4,272,965	4,272,965	3/31/2015
20047QAE5	4,113,753	4,112,683	1,070	4,112,683	4,112,683	6/30/2015
20047QAE5	2,740,650	2,731,592	9,058	2,731,592	2,731,592	12/31/2015
20048EAV3	1,540,703	1,531,577	9,126	1,531,577	1,531,577	12/31/2015
20173QAE1	4,221,924	4,196,720	25,204	4,196,720	4,196,720	3/31/2015
20173QAE1	3,462,212	3,442,860	19,352	3,442,860	3,442,860	12/31/2015
20173VAE0	3,531,640	3,518,099	13,541	3,518,099	3,518,099	9/30/2015
20173VAE0	2,826,122	2,807,558	18,564	2,807,558	2,807,558	12/31/2015
22533PAA2	2,420,000	2,413,853	6,147	2,413,853	2,413,853	12/31/2015
22545MAD9	260,374	258,045	2,329	258,045	258,045	3/31/2015
22545MAD9	292,581	289,847	2,734	289,847	289,847	6/30/2015
22545MAD9	283,282	280,491	2,791	280,491	280,491	9/30/2015
22545MAD9	277,859	274,781	3,078	274,781	274,781	12/31/2015
29372EAV0	326,978	326,913	65	326,913	326,913	9/30/2015

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
29372EAW8	4,933,740	4,918,435	15,305	4,918,435	4,918,435	12/31/2015
29372EAY4	847,650	846,913	737	846,913	846,913	12/31/2015
29372EBB3	1,624,209	1,624,025	184	1,624,025	1,624,025	9/30/2015
29372EBB3	1,810,894	1,806,947	3,947	1,806,947	1,806,947	12/31/2015
29372EBC1	344,283	342,813	1,470	342,813	342,813	12/31/2015
30261TAQ0	121,658	119,512	2,146	119,512	119,512	12/31/2015
31292MDY6	1,335,735	1,328,629	7,106	1,328,629	1,328,629	12/31/2015
31292SA42	831,608	812,312	19,296	812,312	812,312	9/30/2015
31292SA42	794,524	784,314	10,210	784,314	784,314	12/31/2015
31292SAN0	1,372,267	1,354,316	17,951	1,354,316	1,354,316	9/30/2015
31292SAN0	1,321,582	1,304,546	17,036	1,304,546	1,304,546	12/31/2015
3137A7JV3	22,570	10,151	12,419	10,151	10,151	9/30/2015
3137A7JV3	10,839	8,375	2,464	8,375	8,375	12/31/2015
3138WERL5	861,653	856,997	4,656	856,997	856,997	12/31/2015
31679GAC3	692,124	692,000	124	692,000	692,000	12/31/2015
31679KAE0	5,721,569	5,714,478	7,091	5,714,478	5,714,478	3/31/2015
31679KAE0	5,712,573	5,703,933	8,640	5,703,933	5,703,933	6/30/2015
31679KAE0	5,702,891	5,680,905	21,986	5,680,905	5,680,905	12/31/2015
32058EAC7	82,302	82,009	293	82,009	82,009	12/31/2015
32058FAC4	460,487	460,403	84	460,403	460,403	9/30/2015
32058FAC4	22,325	22,324	1	22,324	22,324	12/31/2015
34528QCD4	5,359,962	5,359,839	123	5,359,839	5,359,839	12/31/2015
34528QDR2	3,141,717	3,139,088	2,629	3,139,088	3,139,088	12/31/2015
34530DAC3	660,365	660,061	304	660,061	660,061	12/31/2015
34530HAD2	3,013,159	3,010,440	2,719	3,010,440	3,010,440	3/31/2015
34530HAD2	3,008,748	3,005,820	2,928	3,005,820	3,005,820	6/30/2015
34530HAD2	3,003,922	2,992,890	11,032	2,992,890	2,992,890	12/31/2015
35562TAG7	92,769	48,775	43,994	48,775	48,775	9/30/2015
35562TAG7	70,359	42,731	27,628	42,731	42,731	12/31/2015
36159LBZ8	760,519	760,243	276	760,243	760,243	3/31/2015
36159LCF1	919,974	919,292	682	919,292	919,292	3/31/2015
36159LCF1	919,454	919,374	80	919,374	919,374	9/30/2015
361849Q96	902,040	900,148	1,892	900,148	900,148	3/31/2015
361849Q96	785,826	785,807	19	785,807	785,807	6/30/2015
36198FAA0	1,022,422	1,022,353	69	1,022,353	1,022,353	3/31/2015
36198FAA0	939,858	938,948	910	938,948	938,948	6/30/2015
36198FAA0	765,375	762,743	2,632	762,743	762,743	12/31/2015
362332AE8	3,021,217	3,018,517	2,700	3,018,517	3,018,517	3/31/2015
362332AE8	2,808,098	2,805,013	3,085	2,805,013	2,805,013	6/30/2015
362332AE8	2,637,726	2,626,133	11,593	2,626,133	2,626,133	9/30/2015

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
362332AE8	2,555,170	2,548,990	6,180	2,548,990	2,548,990	12/31/2015
362334GR9	8,071	7,765	306	7,765	7,765	3/31/2015
362334GR9	7,784	7,571	213	7,571	7,571	6/30/2015
36828QQE9	2,021,329	2,016,620	4,709	2,016,620	2,016,620	3/31/2015
36828QQE9	662,607	662,467	140	662,467	662,467	9/30/2015
380881BL5	5,028,503	5,010,500	18,003	5,010,500	5,010,500	12/31/2015
380881BZ4	1,790,000	1,788,908	1,092	1,788,908	1,788,908	12/31/2015
41284AAD0	4,489,064	4,488,930	134	4,488,930	4,488,930	12/31/2015
446149AD8	379,091	379,044	47	379,044	379,044	6/30/2015
44614TAF9	70,000	69,995	5	69,995	69,995	12/31/2015
44890TAB3	1,878,098	1,878,060	38	1,878,060	1,878,060	3/31/2015
44890TAB3	840,573	840,571	2	840,571	840,571	6/30/2015
44890TAC1	1,456,117	1,455,599	518	1,455,599	1,455,599	12/31/2015
46625YUA9	3,579,936	3,577,682	2,254	3,577,682	3,577,682	3/31/2015
46625YUA9	1,902,557	1,899,758	2,799	1,899,758	1,899,758	6/30/2015
46625YXP3	1,700,098	1,698,092	2,006	1,698,092	1,698,092	3/31/2015
46625YXP3	1,315,230	1,314,305	925	1,314,305	1,314,305	6/30/2015
46625YXT5	302,977	296,955	6,022	296,955	296,955	9/30/2015
46628FAF8	2,454,387	2,449,220	5,167	2,449,220	2,449,220	3/31/2015
46628FAF8	1,711,733	1,711,621	112	1,711,621	1,711,621	9/30/2015
46628FAF8	1,654,468	1,645,917	8,551	1,645,917	1,645,917	12/31/2015
46629GAE8	176,695	167,359	9,336	167,359	167,359	9/30/2015
46629GAE8	165,700	164,337	1,363	164,337	164,337	12/31/2015
46634NAA4	87,547	87,544	3	87,544	87,544	3/31/2015
46634NAA4	28,506	28,500	6	28,500	28,500	6/30/2015
47787VAC5	3,270,001	3,261,697	8,304	3,261,697	3,261,697	12/31/2015
50116PAB6	342,340	342,317	23	342,317	342,317	9/30/2015
50116PAB6	161,189	161,166	23	161,166	161,166	12/31/2015
50179MAE1	1,776,331	1,759,148	17,183	1,759,148	1,759,148	12/31/2015
50180CAD2	2,626,714	2,614,075	12,639	2,614,075	2,614,075	6/30/2015
50180CAD2	2,611,159	2,574,875	36,284	2,574,875	2,574,875	9/30/2015
50180CAD2	2,572,946	2,540,225	32,721	2,540,225	2,540,225	12/31/2015
50180LAC4	4,762,882	4,668,767	94,115	4,668,767	4,668,767	12/31/2015
52108RAE2	6,044,508	6,014,440	30,068	6,014,440	6,014,440	3/31/2015
52108RAE2	5,979,823	5,932,978	46,845	5,932,978	5,932,978	6/30/2015
52108RAE2	5,623,092	5,539,169	83,923	5,539,169	5,539,169	9/30/2015
52108RAE2	5,072,249	5,023,911	48,338	5,023,911	5,023,911	12/31/2015
52109PAE5	3,036,208	3,033,778	2,430	3,033,778	3,033,778	6/30/2015
52109PAE5	2,598,757	2,592,431	6,326	2,592,431	2,592,431	9/30/2015
52109PAE5	2,578,300	2,509,975	68,325	2,509,975	2,509,975	12/31/2015

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
55292LAC8	548,936	548,858	78	548,858	548,858	9/30/2015
55292LAC8	357,410	357,091	319	357,091	357,091	12/31/2015
55312YAE2	3,168,320	3,121,515	46,805	3,121,515	3,121,515	3/31/2015
55312YAE2	293,739	292,995	744	292,995	292,995	6/30/2015
55312YAE2	288,172	287,132	1,040	287,132	287,132	9/30/2015
55312YAE2	3,168,295	3,156,359	11,936	3,156,359	3,156,359	12/31/2015
576339AK1	2,530,000	2,529,545	455	2,529,545	2,529,545	9/30/2015
576339AK1	2,529,703	2,529,595	108	2,529,595	2,529,595	12/31/2015
58768WAC3	303,682	303,540	142	303,540	303,540	12/31/2015
59022HJL7	214,355	212,720	1,635	212,720	212,720	3/31/2015
59025WAE6	926,640	921,999	4,641	921,999	921,999	9/30/2015
59025WAE6	907,020	900,145	6,875	900,145	900,145	12/31/2015
61750WAX1	4,478,864	4,423,312	55,552	4,423,312	4,423,312	12/31/2015
61751XAE0	301,375	299,237	2,138	299,237	299,237	9/30/2015
61751XAE0	247,298	244,075	3,223	244,075	244,075	12/31/2015
61759LAA6	230,671	219,861	10,810	219,861	219,861	9/30/2015
61759LAA6	219,278	213,952	5,326	213,952	213,952	12/31/2015
61760VAM5	2,353,229	2,337,433	15,796	2,337,433	2,337,433	12/31/2015
65477MAC2	1,395,387	1,394,274	1,113	1,394,274	1,394,274	12/31/2015
67575NAL7	1,959,969	1,954,100	5,869	1,954,100	1,954,100	12/31/2015
67741YAA6	768,684	767,008	1,676	767,008	767,008	12/31/2015
74113AAC0	835,503	835,406	97	835,406	835,406	3/31/2015
74113AAC0	459,531	459,514	17	459,514	459,514	9/30/2015
74113AAC0	296,114	295,796	318	295,796	295,796	12/31/2015
74113AAE6	1,103,214	1,101,707	1,507	1,101,707	1,101,707	12/31/2015
74928HAA4	189,308	182,945	6,363	182,945	182,945	9/30/2015
74928HAA4	179,587	178,742	845	178,742	178,742	12/31/2015
78459WAA9	218,938	218,835	103	218,835	218,835	12/31/2015
78469QAF9	3,379,676	3,376,890	2,786	3,376,890	3,376,890	12/31/2015
80283FAD8	22,488	22,486	2	22,486	22,486	12/31/2015
86359BLS8	16,501	16,453	48	16,453	16,453	3/31/2015
86359BLS8	18,744	8,881	9,863	8,881	8,881	6/30/2015
86359BLS8	15,632	5,944	9,688	5,944	5,944	9/30/2015
86359BLS8	15,765	6,898	8,867	6,898	6,898	12/31/2015
89231MAC9	2,580,395	2,577,454	2,941	2,577,454	2,577,454	12/31/2015
90270RBE3	214,587	212,384	2,203	212,384	212,384	9/30/2015
90270RBE3	212,329	206,556	5,773	206,556	206,556	12/31/2015
92887DAC0	1,069,934	1,069,664	270	1,069,664	1,069,664	9/30/2015
92887DAC0	914,065	913,883	182	913,883	913,883	12/31/2015
92930RAA0	1,630,573	1,630,150	423	1,630,150	1,630,150	3/31/2015

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
92930RAA0	1,315,528	1,315,187	341	1,315,187	1,315,187	9/30/2015
92930RAA0	1,149,322	1,146,338	2,984	1,146,338	1,146,338	12/31/2015
92935JAE5	74,440	34,667	39,773	34,667	34,667	9/30/2015
92935JAE5	36,182	31,434	4,748	31,434	31,434	12/31/2015
92936QAC2	3,985,896	3,970,987	14,909	3,970,987	3,970,987	12/31/2015
92936TAA0	142,479	138,673	3,806	138,673	138,673	9/30/2015
92936YAK7	172,882	125,539	47,343	125,539	125,539	9/30/2015
92936YAK7	119,976	116,985	2,991	116,985	116,985	12/31/2015
92937EAZ7	256,437	249,223	7,214	249,223	249,223	12/31/2015
92938CAA5	491,705	490,833	872	490,833	490,833	12/31/2015
92976BDT6	79,224	76,258	2,966	76,258	76,258	9/30/2015
98152EAG4	5,000,690	4,999,500	1,190	4,999,500	4,999,500	3/31/2015
98152EAG4	4,999,469	4,998,850	619	4,998,850	4,998,850	12/31/2015
999999AA3	1,658,847	1,532,143	126,704	1,532,143	1,532,143	6/30/2015
999999AA3	12,543,053	11,957,469	585,584	11,957,469	11,957,469	6/30/2015
999999AA3	1,532,046	1,202,743	329,303	1,202,743	1,202,743	12/31/2015
999999AA3	11,715,888	9,501,147	2,214,741	9,501,147	9,501,147	12/31/2015
999999AA3	224,725	220,034	4,690	220,034	220,034	12/31/2015
Total			$ 5,079,208			

There were no gross unrealized losses at December 31, 2015 or December 31, 2014 since Syncora Guarantee was not able to assert that it had the ability to hold securities in unrealized loss positions due to its near term anticipated cash needs resulting in other-than-temporary impairment charges.

Syncora Guarantee has exposure to the U.S. subprime mortgage market through investments in RMBS as a result of its remediation activities. As of December 31, 2015, Syncora Guarantee has investments in residential mortgage-backed securities with a carrying value and fair value of $14.6 million and $14.7 million, respectively.

Investment in Subsidiary, Controlled and Affiliated

Syncora Guarantee owns 100% of Syncora Capital Assurance and Pike Pointe. Syncora Guarantee's equity basis in Syncora Capital Assurance exceeds 10% of its admitted assets. Syncora Guarantee was granted a permitted practice by the NYDFS to account for its ownership in Pike Pointe as salvage recoverable rather than using GAAP equity value. If Pike Pointe were to be accounted based on GAAP equity value, the investment would exceed 10% of admitted assets (See Note 4 for further discussion). Summarized financial information for Syncora Capital Assurance and Pike Pointe as of and for the years ended December 31, 2015 and 2014 are as follows:

(U.S. Dollars in thousands)	**Syncora Capital Assurance**		**Pike Pointe**	
	2015	**2014**	**2015**	**2014**
Assets	$ 468,905	$ 495,163	$ 243,298	$ 229,689
Liabilities	276,797	330,666	18,668	21,282
Capital and surplus/Equity	192,108	164,497	224,630	208,407
Net income (loss)	4,573	(74,338)	7,348	675

6. Information Concerning Parent, Subsidiaries and Affiliates

Ownership of the Company

All outstanding shares of the Company are owned by Syncora Holdings US Inc., a Delaware corporation and all of the outstanding shares of Syncora Holdings US Inc. are owned by Syncora Holdings.

Capital Transactions

Syncora Guarantee has 2,000 Series B Preferred shares authorized, all of which are issued and outstanding. These shares have a par value of $120 per share and a liquidation preference of $100,000 per share. Holders of these preferred shares are entitled to receive, in preference to the holders of common shares, non-cumulative cash dividends at a variable rate equal to one-month LIBOR plus 1.00% per annum for periods prior to December 9, 2009 and at LIBOR plus 2.00% per annum thereafter, in each case calculated on an actual/360 day basis, when and if declared by the Board of Directors of Syncora Guarantee.

The holders of the preferred shares are not entitled to any voting rights and their consent is not required for taking any corporate action. Subject to certain requirements, the preferred shares may be redeemed, in whole or in part, at the option of Syncora Guarantee at any time or from time to time for cash at a redemption price equal to the liquidation preference per share plus any accrued and unpaid dividends thereon to the date of redemption without interest on such unpaid dividends.

General Services Agreements

The Company and its affiliates are parties to a Second Amended and Restated General Services Agreement, whereby Syncora Guarantee Services Inc. ("Syncora Guarantee Services") provides the Company and its affiliates with general services, including substantially all personnel support, certain office overhead and expenses, rent, information technology services and other items. Under the terms of such agreement, the costs of the aforementioned services are charged to the Company and its affiliates in accordance with the requirements of Regulation 30 of the NYDFS. For the years ended December 31, 2015 and 2014, the Company incurred costs under this agreement in the amount of $19.4 million and $18.9 million, respectively. As of December 31, 2015 and December 31, 2014, the Company had a receivable of approximately $5.9 million and $6.2 million, respectively from Syncora Guarantee Services that was recorded in "Receivables from parent, subsidiaries, and affiliates" on the Statements of Admitted Assets, Liabilities and Capital and Surplus; and was non-admitted as of December 31, 2015 and December 31, 2014.

Related Party Transactions

Net amounts due from/to related parties as of December 31, 2015 and 2014 were:

(U.S. Dollars in thousands)	Due from		Due to	
	2015	**2014**	**2015**	**2014**
Syncora Holdings US Inc.	$ -	$ 918	$ -	$ -
Pike Pointe	-	573	-	-
Syncora Capital Assurance	109	-	-	1,768
Syncora Guarantee Services	-	-	7,302	4,269
Syncora Holdings	-	-	183	182
	$ 109	$ 1,491	$ 7,485	$ 6,219

Excluded in the above are $22.9 million and $16.5 million of amounts due from related parties, which were non-admitted as of December 31, 2015 and 2014, respectively.

Employee Benefit Plans

Employees of Syncora Guarantee Services, who provide services to Syncora Guarantee, may participate in a qualified defined contribution pension plan for the benefit of all eligible employees and a non-qualified deferred compensation plan for the benefit of certain employees. These plans are maintained by Syncora Holdings US Inc., which owns 100% of both Syncora Guarantee Services and Syncora Guarantee. Employer contributions to both plans are based on a fixed percentage of employee contributions and compensation as defined by the plans. Such contributions are ultimately funded by charges to Syncora Guarantee and its affiliates for services rendered by Syncora Guarantee Services. For the years ended December 31, 2015 and 2014, Syncora Guarantee incurred expense of $0.6 million and $0.6 million, respectively, relating to employer contributions made to the aforementioned plans.

Reinsurance Agreements with Affiliates and other Guarantees

Set forth below is a discussion of Syncora Guarantee's reinsurance and other agreements with affiliates and former affiliates.

<u>Agreements with or in respect of Syncora Capital Assurance</u>

On July 15, 2009, Syncora Guarantee and Syncora Capital Assurance entered into a quota share reinsurance agreement pursuant to which Syncora Guarantee ceded and Syncora Capital Assurance assumed certain of Syncora Guarantee's public finance business and certain of its global infrastructure business (the "Public Finance Reinsurance Agreement"). For the years ended December 31, 2015 and 2014, such ceded premiums aggregated $6.0 million and $6.1 million, respectively, which resulted in the recognition by Syncora Guarantee of ceding commission revenue of $1.1 million and $1.1 million for the same periods. The Public Finance Reinsurance Agreement contains certain provisions (known as "cut-through provisions"), which require policyholders of such reinsured policies to remit premiums due under such reinsured policies directly to Syncora Capital Assurance and provides such policyholders the ability to submit claims under such policies directly to Syncora Capital Assurance for payment.

On July 15, 2009, Syncora Guarantee and Syncora Capital Assurance entered into an assumption reinsurance and novation agreement (the "CDS Novation Agreement") pursuant to which Syncora Guarantee ceded and Syncora Capital Assurance assumed, through novation, certain of Syncora

Guarantee's non-public finance and non-commuted policies on CDS contracts (the "Novated CDS Policies").

In addition, Syncora Guarantee issued back-up guarantees on the Novated CDS Policies (the "Back-Up Guarantees"), which would cover claims on such policies to the extent not satisfied by Syncora Capital Assurance, subject to certain limitations. No premium is required to be paid to Syncora Guarantee with respect to its Back-Up Guarantees.

In connection with the Public Finance Reinsurance Agreement and the CDS Novation Agreement, Syncora Capital Assurance replaced Syncora Guarantee as ceding insurer under certain reinsurance protection Syncora Guarantee had purchased prior to the effective date of the aforementioned agreements, which covered the business transferred under such agreements.

On August 24, 2015, the Company and Syncora Capital Assurance entered into an intercompany capital support agreement whereby, if Syncora Capital Assurance's surplus at the end of the prior quarter is below $100 million, or is projected to be below $100 million at the end of the coming quarter, the Company has agreed to purchase up to $100 million of additional Syncora Capital Assurance surplus notes; provided, that the Company's surplus as of the prior quarter shall not be less than $100 million. These notes can be transferred to a third party. As of December 31, 2015, Syncora Capital Assurance's policyholders surplus was $192.1 million.

<u>Agreements with or in respect of Syncora Guarantee-UK</u>

Syncora Guarantee-UK was formerly a wholly owned subsidiary of the Company and was domiciled and licensed as a financial guarantee insurance company in England. On July 1, 2015, the High Court of England and Wales approved the transfer of all Syncora Guarantee-UK's assets and liabilities, including its policies and the right to receive premiums therefrom, to the Company pursuant to Part VII of the UK Financial Services and Markets Act (the "Part VII Transfer"). The Part VII Transfer became effective on July 2, 2015 and Syncora Guarantee-UK was dissolved on July 10, 2015.

As of the Part VII Transfer on July 2, 2015 (the "Part VII Effective Date"), all property of Syncora Guarantee-UK, including all rights and powers under or by virtue of the transferred financial guarantee policies issued by Syncora Guarantee-UK (including rights to premium, consent rights and rights of enforcement), were transferred to the Company.

Following the completion of the Part VII Effective Date, all of the below agreements were terminated.

- The Company had a quota share reinsurance agreement with Syncora Guarantee-UK pursuant to which the Company reinsured 97% of the financial guarantee policies issued by Syncora Guarantee-UK. Syncora Guarantee-UK retained up to a 30% ceding commission (or such other percentage determined on an arm's length basis) on ceded premiums written under the reinsurance agreement.

- The Company had, under a surplus maintenance agreement, agreed to provide Syncora Guarantee-UK with funds sufficient to maintain a minimum solvency margin equal to the greater of (i) $12.5 million or (ii) 200% of the required minimum margin of solvency mandated by Syncora Guarantee-UK's regulator in the United Kingdom, the PRA.

- The Company also, under an excess of loss reinsurance agreement, reinsured from Syncora Guarantee-UK, 100% of net incurred losses arising during the term of the agreement in excess of 10% of Syncora Guarantee-UK's capital and surplus. The Company's maximum liability under the excess of loss agreement was $50.0 million.

See Note 12 for information regarding a tax sharing agreement, which Syncora Guarantee is a party to along with certain of its affiliates.

Other Subsidiaries

Pike Pointe

Pike Pointe is a wholly owned subsidiary of the Company, a Delaware limited liability company, which holds 100% of the equity ownership of a number of subsidiaries that ultimately own and operate certain toll road facilities located in the United States and Canada (collectively, "American Roads").

On July 25, 2013, American Roads LLC and certain of its affiliates filed "pre-packaged" bankruptcy cases under Chapter 11 of the United Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Company insured approximately $830 million of bonds and interest rate swap liabilities issued by American Roads LLC. On September 3, 2013, the approved bankruptcy plan went effective and the Company as an indirect owner of the American Roads LLC interest rate swaps and issuer of related insurance policies received 100% equity ownership of the reorganized American Roads. The policyholders of the bonds originally issued by American Roads LLC, which have been discharged in bankruptcy, continue to benefit from the Company’s insurance policy, as Syncora Guarantee is obligated to pay 100% of all future principal and interest payments.

Syncora Investment Holdings

Syncora Investment Holdings, a Delaware limited liability company and wholly owned subsidiary of the Company, was established to enhance asset and liability management for longer dated liabilities and create long-term value for the Company. The Company has commenced investing in 2015, and plans to invest an aggregate amount up to $43 million in debt and equity investments in positions in small-to mid-market private companies within the financial services and related sectors.

Syncora Securities

Syncora Securities a Delaware limited liability company and a newly formed, jointly held, non-insurance subsidiary of the Company, was established in 2015 to hold the transferred securities received by the Company in connection with its previously reported 2012 settlement with Countrywide, Bank of America Corp. and affiliates (“BAC”). Such securities consist of 84,584 perpetual non-cumulative preferred shares and 3,044,588 common shares of Syncora Holdings Ltd.. Syncora Capital Assurance holds a minority interest in Syncora Securities.

7. Net Premiums Earned

Premiums earned comprise:

(U.S. Dollars in thousands)

	Premiums Written		Change in Unearned Premium Revenue		Premiums Earned	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Direct	$ 72,626	$ 18,241	$ 334	$ 48,985	$ 72,960	$ 67,226
Assumed						
Syncora Guarantee - UK	(56,052)	1,317	60,536	15,886	4,484	17,203
Other	3,891	5,759	21,580	3,022	25,471	8,781
Ceded						
Syncora Capital Assurance	(6,037)	(6,070)	(53,282)	(37,760)	(59,319)	(43,830)
Other	(1,657)	(112)	1,407	(58)	(250)	(170)
Net	$ 12,771	$ 19,135	$ 30,575	$ 30,075	$ 43,346	$ 49,210

8. Reinsurance

In connection with the 2009 MTA, Syncora Guarantee entered into the Public Finance Reinsurance Agreement as discussed in Note 6. Syncora Guarantee's current use for reinsurance is principally for risk management purposes. Prior to Syncora Guarantee's suspension of new business production in January 2008, it also used reinsurance to increase its capacity to write business. Syncora Guarantee's reinsurance arrangements included facultative quota share reinsurance treaties with affiliates and former affiliates, as well as other facultative reinsurance with non-affiliated reinsurers. Reinsurance does not relieve Syncora Guarantee of its obligations under its policies of insurance. Accordingly, Syncora Guarantee is still liable under such policies even if any or all of the reinsuring companies are unable to meet their obligations to Syncora Guarantee or contest such obligations. Syncora Guarantee regularly monitors the financial condition of its reinsurers and believes that all reinsurance receivables and recoverables are fully collectible at December 31, 2015 and 2014.

The following tables set forth certain amounts ceded to reinsurers as of and for the years ended December 31, 2015 and 2014.

(U.S. Dollars in thousands)	2015	2014
Year ended December 31,		
Ceded premiums written	$ 7,694	$ 6,182
Ceded premiums earned	59,569	44,000
Ceding commission earned	1,087	1,094
At December 31,		
Par exposure ceded (millions)	16,791	24,027
Contingency reserve ceded	104,270	114,713

The maximum amount of return commission which would be due to (from) reinsurers if all reinsurance were cancelled with the return of the unearned premium revenue as of December 31, 2015 and 2014 is as follows:

	Affiliate		Non-affiliate		Total	
(U.S. Dollars in thousands)	2015	2014	2015	2014	2015	2014
Assumed unearned premium revenue	$ -	$ 60,536	$ 27,193	$ 48,773	$ 27,193	$ 109,309
Ceded unearned premium revenue	(164,770)	(218,051)	(2,278)	(871)	(167,048)	(218,922)
Net unearned premium revenue	$ (164,770)	$ (157,515)	$ 24,915	$ 47,902	$ (139,855)	$ (109,613)
Assumed commission equity	$ -	$ (16,100)	$ (8,158)	$ (14,632)	$ (8,158)	$ (30,732)
Ceded commission equity	28,835	38,159	238	249	29,073	38,408
Net commission equity	$ 28,835	$ 22,059	$ (7,920)	$ (14,383)	$ 20,915	$ 7,676

The following table sets forth unsecured reinsurance recoverables by individual reinsurer as of December 31, 2015 and 2014:

(U.S. Dollars in thousands)	2015	2014
Syncora Capital Assurance	$ 205,406	$ 240,030
Assured Guaranty Muni Corp.	1,294	-
CIFG Assurance North America Inc.	592	620
Assured Guaranty Corp.	404	244
American Overseas Reinsurance Co. Ltd.	52	111
Radian Asset Assurance Inc.	-	195
Total	$ 207,748	$ 241,200

9. Outstanding Exposure and Collateral

While the Company establishes reserves for losses and loss adjustment expenses on obligations it has guaranteed or reinsured based on its best estimate of its liabilities, the risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. At December 31, 2015 and 2014, the Company's in force principal and interest exposure was $10.6 billion and $15.8 billion, respectively. The tables below reflect certain information regarding the Company's in-force principal and interest exposure at December 31, 2015. References in the tables below to "Gross" mean that the amounts are before the effect of ceded reinsurance and references to "Net" mean that the amounts are after the effect of ceded reinsurance. The tables below exclude the Company's gross principal and interest exposure of $5.7 billion and $4.2 billion, respectively, at December 31, 2015, (net principal and interest exposure of $5.7 billion and $4.1 billion, respectively, at December 31, 2015) under the Back-Up Guarantees, which relate to policies novated by the Company to Syncora Capital Assurance.

The following table sets forth Syncora Guarantee's in-force guaranteed principal exposure by bond sector as of December 31, 2015 and 2014:

Bond Exposure
(U.S. Dollars in millions)

	GPO[1]		NPO[1]	
	2015	**2014**	**2015**	**2014**
Public Finance				
General Obligation	$ 4,379	$ 7,700	$ 161	$ 209
Special Revenue	5,056	6,741	108	127
Utility	2,659	3,944	61	62
Appropriation	861	1,333	12	17
Other	4	5	4	5
Non Ad Valorem	1,721	2,587	-	-
Total Public Finance	$ 14,680	$ 22,310	$ 346	$ 420
Asset-Backed Securities				
RMBS	$ 559	$ 971	$ 552	$ 963
Commercial ABS	-	4	-	4
Total Asset-Backed Securities	$ 559	$ 975	$ 552	$ 967
Collateralized Debt Obligations				
Cashflow CDO	$ 42	$ 447	$ 42	$ 447
Total Collateralized Debt Obligations	$ 42	$ 447	$ 42	$ 447
Structured Single Risk				
Global Infrastructure	$ 3,793	$ 5,096	$ 2,710	$ 4,541
Power & Utilities	3,927	4,699	2,560	3,125
Specialized Risk	424	792	424	792
Total Structured Single Risk	$ 8,144	$ 10,587	$ 5,694	$ 8,458
Total Outstanding	$ 23,425	$ 34,319	$ 6,634	$ 10,292

[1] GPO and NPO represent Gross Principal Outstanding and Net Principal Outstanding, respectively.

The Company expects to make undiscounted claim payments related to its American Roads exposure as of December 31, 2015, due in the following periods:

(U.S. Dollars in millions)

Period	Net Principal	Net Interest	Net Payment
Due within 1 year	$ 1.9	$ 1.4	$ 3.3
Due 1 to 3 years	6.4	4.4	10.8
Due 3 to 5 years	6.7	5.4	12.1
Due after 5 years	100.5	55.3	155.8
	$ 115.5	$ 66.5	$ 182.0

The following table sets forth the number of years to maturity of Syncora Guarantee's in-force guaranteed principal and interest exposure as of December 31, 2015:

Years to Maturity - Debt Service Amortization
(U.S. Dollars in millions)

	Scheduled Net Debt Service	NPIO[(1)]
2015 Q4	$ -	$ 10,585
2016 Q1	216	10,369
2016 Q2	320	10,049
2016 Q3	87	9,962
2016 Q4	283	9,679
Total 2016	$ 906	
2017	$ 400	$ 9,279
2018	575	8,704
2019	222	8,482
2020	368	8,114
Total 2017-2020	$ 1,565	
2021-2025	$ 1,748	$ 6,366
2026-2030	639	5,727
2031-2035	1,179	4,548
2036 and thereafter	4,548	-
Total 2021-thereafter	$ 8,114	
Total	$ 10,585	

(1) NPIO represents Net Principal and Interest Outstanding.

The following tables set forth Syncora Guarantee's in-force guaranteed principal exposure by geographic concentration as of December 31, 2015 and 2014:

Geographic Distribution - Par Exposure
(U.S. Dollars in millions)

	GPO		NPO		% NPO	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
United States						
Illinois[5]	$ 551	$ 1,784	$ -	$ 538	0.0%	5.2%
Puerto Rico	396	470	127	145	1.9%	1.4%
Alabama	570	958	116	116	1.7%	1.1%
New Jersey	419	610	67	89	1.0%	0.9%
Other[1]	13,791	20,174	153	190	2.3%	1.8%
Non-PF Multi[2][3]	572	1,527	564	1,519	8.6%	14.8%
Total United States	$ 16,299	$ 25,523	$ 1,027	$ 2,597	15.5%	25.2%
International						
United Kingdom	$ 4,224	$ 4,803	$ 3,268	$ 4,398	49.3%	42.7%
Australia	1,305	1,638	1,305	1,601	19.7%	15.6%
Chile	509	654	383	504	5.8%	4.9%
France	148	428	148	428	2.2%	4.2%
Italy	137	159	137	159	2.1%	1.5%
Canada	220	248	122	151	1.8%	1.5%
Portugal	95	107	95	107	1.4%	1.0%
Other[1]	395	493	56	81	0.8%	0.8%
Non-PF Multi[2][4]	93	266	93	266	1.4%	2.6%
Total International	$ 7,126	$ 8,796	$ 5,607	$ 7,695	84.5%	74.8%
Total Par Outstanding	$ 23,425	$ 34,319	$ 6,634	$ 10,292	100.0%	100.0%

(1) Single state/country with NPO < 1% of the total exposure plus any multi-state/country Public Finance exposures.
(2) Non-Public Finance deals with underlying securities in multiple states/countries.
(3) Consists of $522 million and $928 million in 2015 and 2014, respectively, in Asset-backed securities ("ABS"), $42 million and $447 million in 2015 and 2014, respectively, in Collateralized Debt Obligations ("CDO"), and $0 million and $144 million in 2015 and 2014, respectively, in Structured Single Risk net par.
(4) Consists of $93 million and $266 million in 2015 and 2014, respectively in Structured Single Risk.
(5) As of December 31, 2015, the Company has $9.2 million of gross par exposure to General Obligation bonds which matured in January 2016 issued by the City of Chicago of which $9.2 million is ceded to Syncora Capital Assurance.

Syncora Guarantee is exposed to residential mortgages directly, through its insurance guarantees of RMBS. As of December 31, 2015, Syncora Guarantee's total net direct exposure to RMBS aggregated approximately $0.6 billion, representing approximately 8.3% of its total in-force guaranteed net principal outstanding at such date. The RMBS exposure consisted of various collateral types as set forth in the table below. The tables below also set forth Syncora Guarantee's internal ratings, as well as the ratings of certain rating agencies, of the insured transactions as of December 31, 2015.

Exposure to RMBS

The following table presents the net principal outstanding for Syncora Guarantee's insured RMBS portfolio by type(1) of collateral as of December 31, 2015 and 2014:

RMBS Exposure

(U.S. Dollars in millions)	NPO		% NPO	
	2015	**2014**	**2015**	**2014**
Prime (1st lien)	$ 31	$ 37	5.6%	3.9%
Prime (2nd lien)	20	28	3.6%	2.9%
Prime (HELOC)	139	179	25.2%	18.6%
Alt-A (1st lien)	30	353	5.4%	36.5%
Alt-A (2nd lien)	5	6	0.9%	0.6%
Subprime (1st lien)	276	292	50.0%	30.4%
Subprime (2nd lien)	23	35	4.2%	3.6%
Subprime (1st lien) International	28	33	5.1%	3.5%
Total RMBS Outstanding	$ 552	$ 963	100.0%	100.0%

(1) Collateral type is defined as follows: Prime (1st lien) mortgage loans are secured by first liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. Prime (2nd lien) mortgage loans are secured by 2nd liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. This category also includes Alt-A (2nd lien) loans. HELOC is an adjustable rate line of credit secured by a second lien on residential properties. An Alt-A loan means a mortgage loan secured by first liens on residential properties, which is ineligible for purchase by Fannie Mae or Freddie Mac. Subprime (1st lien) mortgage loans are secured by first liens on residential properties to non-prime borrowers. The underwriting standards used to underwrite subprime mortgage loans are less stringent than the standards applied to the most creditworthy borrowers and less stringent than the standards generally acceptable to Fannie Mae and Freddie Mac with regard to the borrower's credit standing and repayment ability. Subprime (2nd lien) mortgage loans are secured by second liens on residential properties to non-prime borrowers. See Subprime (1st lien) for a description of the underwriting standards. Subprime (1st lien) – International mortgage loans are secured by first liens on residential properties to non-prime borrowers located outside the United States.

The following table presents the net principal outstanding and net case basis reserves for unpaid losses for Syncora Guarantee's insured RMBS portfolio by year of origination (year the guarantee was underwritten and issued) as of December 31, 2015:

RMBS Exposure
(U.S. Dollars in millions)

	2004	2005	2006	2007	Total
Prime/Alt-A	$ 102	$ 45	$ 70	$ 8	$ 225
Subprime	37 (1)	94	-	196	327
Total RMBS Outstanding	$ 139	$ 139	$ 70	$ 204	$ 552
Net case reserves for unpaid losses	$ 24	$ 60	$ (23)	$ 55	$ 116

(1) Includes $0.5 million relating to business underwritten and issued in 1999.

The following tables show Syncora Guarantee's current internal and rating agency ratings on all of its direct RMBS exposure by deal, grouped by collateral type as of December 31, 2015. Syncora Guarantee's internal ratings are based on its internal credit assessment of each transaction taking into account the overall credit strengths and weaknesses, transaction structure and the trends in the asset sector. Syncora Guarantee bases its analysis on information received from the trustees or from the issuers, as well as on-site visits to issuers, servicers, collateral managers and project sites. Modeling results are also considered. Syncora Guarantee also takes into consideration the rating agencies' rationale for their ratings; however, variations may exist between Syncora Guarantee's internal ratings and the ratings of the rating agencies. While Syncora Guarantee endeavors to provide the most recently published rating agencies' ratings, Syncora Guarantee can provide no assurance that such ratings represent the most current ratings published by the agencies.

RMBS Ratings
(U.S. Dollars in millions)

	Vintage	Internal Rating	S&P Rating(1)	Moody's Rating(1)	NPO
Prime (1st lien)					
1. ……………………………	2004	bbb+	NR	Ba2	$ 19
2. ……………………………	2004	aa	AA+	NR	8
3. ……………………………	2004	aa	AA+	Ba1	4
Total					$ 31
Prime (2nd lien)					
1. ……………………………	2006	d	NR	C	$ 20
Total					$ 20

Prime (HELOC)						
1. ……………………………	2004	d	CCC	Ca	$	42
2. ……………………………	2004	d	CCC	Ca		29
3. ……………………………	2005	d	NR	C		15
4. ……………………………	2006	d	NR	C		33
5. ……………………………	2006	d	NR	Ca		15
6. ……………………………	2006	d	NR	Ca		2
7. ……………………………	2006	d	NR	Ca		-
8. ……………………………	2007	d	NR	Ca		3
Total					$	139
Alt-A (1st lien)						
1. ……………………………	2005	b	AA+	Ba1	$	23
2. ……………………………	2005	d	NR	Caa2		7
3. ……………………………	2007	d	NR	C		-
Total					$	30
Alt-A (2nd lien)						
1. ……………………………	2007	d	NR	Caa1	$	5
2. ……………………………	2007	d	D	B1		-
Total					$	5
Subprime (1st lien)						
1. ……………………………	1999	b	NR	Caa1	$	1
2. ……………………………	2004	b-	A	Ba2		15
3. ……………………………	2004	a+	AAA	Aa2		14
4. ……………………………	2004	aa	AA+	A1		7
5. ……………………………	2005	d	CCC	-		93
6. ……………………………	2005	aa	AA-	Baa1		1
7 ……………………………	2007	c	CCC	C		145
Total					$	276
Subprime (2nd lien)						
1. ……………………………	2007	bb	CCC	Ba2	$	17
2. ……………………………	2007	c	CCC	Ca		3
3. ……………………………	2007	c	CC	C		3
Total					$	23
Subprime (1st lien) - International						
1. ……………………………	2007	bbb	BBB	Baa2	$	28
Total					$	28
Total RMBS Outstanding					$	552

(1) A "-" rating indicates the deal is not rated by the rating agency.

Exposure to Collateralized Debt Obligations

The following table presents the net notional exposure of Syncora Guarantee's guaranteed CDOs by type[(1)] of referenced asset as of December 31, 2015 and 2014:

CDO Exposure

(U.S. Dollars in millions)	NPO		% NPO		# of Credits	
	2015	2014	2015	2014	2015	2014
Cashflow CDO						
TRUPS CDO	$ 40	$ 43	94.7%	9.5%	2	2
ABS CDO	2	2	5.3%	0.5%	1	1
US CLO	-	402	0.0%	90.0%	-	2
Total Cashflow CDO	$ 42	$ 447	100.0%	100.0%	3	5

(1) Asset type is defined as follows: A Cash flow CDO is a securitized bond that is collateralized by a pool of debt obligations such as corporate loans, bonds and ABS. A Trups CDO is a CDO with underlying collateral primarily consisting of trust preferred securities issued by bank holding companies. An ABS CDO is a CDO with underlying collateral primarily consisting of RMBS bonds (greater than 50%) and other ABS securities. A US Collateralized Loan Obligations ("CLO") is a CDO with underlying collateral primarily consisting of senior secured bank loans made to corporate entities domiciled in the United States and rated below investment grade at inception (i.e., rated below "BBB-" by S&P, "Baa3" by Moody's and "BBB-" by Fitch).

The following table presents the net notional exposure of Syncora Guarantee's guaranteed CDOs by rating as of December 31, 2015:

CDO Ratings[(1)]
(U.S. Dollars in millions)

	NPO	% NPO
AAA	$ 3	8.3%
AA	37	86.4%
Below investment grade	2	5.3%
Total Collateralized Debt Obligations Outstanding	$ 42	100.0%

(1) Based on S&P rating as reflected in Syncora Guarantee's records, if available, and internal Syncora Guarantee's rating if no S&P rating is available.

10. Insurance Premiums

Premiums charged in connection with the issuance of Syncora Guarantee's guarantees are received either upfront at the inception of an insurance contract or in installments (usually monthly or quarterly) over the life of the underlying insured obligation. Such premiums are only recognized as written when due. In accordance with prescribed statutory accounting practice, future installment premiums on in-force policies not yet due are not recorded on Syncora Guarantee's Statements of Admitted Assets, Liabilities and Capital and Surplus as premiums receivable.

As of December 31, 2015, the aggregate amount of installment premium to be collected in the future on Syncora Guarantee's in-force policies, determined based on the expected maturity of the underlying insured obligations, was $180.2 million ($87.0 million, net of ceded reinsurance). The aforementioned amount of installment premium to be collected in the future may differ from the ultimate actual amount of installment premiums collected in the future on such in-force obligations for the reasons discussed above, and such differences, may be material.

The following table presents, as of December 31, 2015, Syncora Guarantee's gross installment premiums (on an undiscounted basis) expected to be collected (and the periods in which such collections are expected to occur) and expected future upfront premium earnings for the periods presented on the Company's direct in-force business. In addition to that presented in the tables below, Syncora Guarantee had installment premiums and unearned premium revenue of $36.2 million and $27.2 million, respectively, relating to assumed reinsurance business at December 31, 2015:

(U.S. Dollars in thousands)	**Expected Collection of Installment Premiums**	**Expected Upfront Premium Earnings**
Three months ended:		
March 31, 2016	$ 4,109	$ 2,757
June 30, 2016	2,363	3,056
September 30, 2016	3,780	2,989
December 31, 2016	1,913	2,683
Twelve months ended:		
December 31, 2016	12,165	11,485
December 31, 2017	11,445	11,935
December 31, 2018	10,896	11,482
December 31, 2019	10,477	10,861
December 31, 2020	10,096	11,127
Five years ended:		
December 31, 2020	55,079	56,890
December 31, 2025	40,180	55,685
December 31, 2030	25,524	42,511
December 31, 2035	17,456	34,030
December 31, 2040	5,094	32,532
December 31, 2045	473	7,239
December 31, 2050	164	2,849
December 31, 2055	-	11,483
December 31, 2060	-	4,620
Total	$ 143,970	$ 247,839

The following table presents a roll forward of the aggregate amount of gross installment premium (on an undiscounted basis) to be collected in the future on Syncora Guarantee's in-force policies for the periods ended December 31, 2015 and December 31, 2014:

(U.S. Dollars in thousands)	**2015**	**2014**
Future installment premiums on in-force contracts, beginning of period	$ 169,081	$ 221,302
Premium payments received	(19,147)	(24,073)
Changes in expected term of policies	(5,964)	(28,148)
Future installment premiums on in-force contracts, ending of period	$ 143,970	$ 169,081

11. Liability for Losses and Loss Adjustment Expenses

Syncora Guarantee's case basis reserves for unpaid losses and loss adjustment expenses are based on the net present value of the expected ultimate loss and loss adjustment expense payments that Syncora Guarantee expects to make, net of expected recoveries from salvage and subrogation rights. Case basis reserves are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation plus anticipated loss adjustment expenses, and (ii) anticipated cash flow from the proceeds to be received on sales of any collateral supporting the obligation or other anticipated recoveries and the present value of future installment premiums. Cash flows were discounted at the rate of 4.70% and 5.01% as of December 31, 2015 and 2014, respectively. The discount rate in 2015 and 2014 was based on a duration-weighted average return on Syncora Guarantee's average invested assets at the end of the year. Syncora Guarantee's liability for unpaid losses and loss adjustment expenses, after giving effect to reinsurance, was $(45.4) million and $111.3 million on a net present value basis, $91.1 million and $276.1 million on a nominal basis or before giving effect to present value, as of December 31, 2015 and 2014, respectively. The amount of discount at such dates was $136.5 million and $164.8 million, respectively.

Set forth below is a discussion of case basis reserves carried by the Company at December 31, 2015 and 2014. The Company's reserves for unpaid losses and loss adjustment expenses represent its best estimate of: (i) the net present value of claims to be paid subsequent to the balance sheet date, less (ii) the net present value of recoveries subsequent to the balance sheet date and the net present value of installment premiums due from the counterparties to such guarantees subsequent to the balance sheet date. The Company's best estimate of claims and recoveries was based on assumptions and estimates extending over many years into the future. Such assumptions and estimates are subject to the inherent limitation on the Company's ability to predict the aggregate course of future events and, as a result, differences between estimated and actual results may be material. Reference should be made to Note 2 for information regarding the effect on the Company's reserves for unpaid losses resulting from transactions which effectively defeased or, in-substance, commuted (in whole or in part) substantially all its guarantees on which it previously carried case reserves. Amounts disclosed below relating to the provision for losses for the year ended December 31, 2015 reflect the effect, as previously disclosed, of certain elements of the 2009 MTA.

The Company recorded a (benefit) provision for losses and loss adjustment expenses of $(141.0) million and $118.3 million for the years ended December 31, 2015 and 2014, respectively. The benefit primarily reflects positive development in the Company's guarantees of certain RMBS and structured single risk transactions, partially offset by adverse development in the Company's guarantees of certain public finance transactions. Reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were $(45.4) million as of December 31, 2015 ($(4.9) million before giving effect to reinsurance). The change from the December 31, 2014 balances is attributable to positive development in the Company's guarantees of certain RMBS and structured single risk transactions, partially offset by adverse development in the Company's guarantees of certain public finance transactions and its estimate of loss adjustment expenses.

A summary of case basis reserves for losses and loss adjustment expenses as of December 31, 2015 and December 31, 2014 are as follows:

(U.S. Dollars in millions)	Gross		Net	
	2015	2014	2015	2014
HELOC, CES and Alt-A mortgage loan collateral	$ 121.9	$ 142.5	$ 121.9	$ 142.5
Public finance	62.5	33.5	22.8	11.4
Structured single risk	(190.1)	(43.3)	(190.9)	(43.3)
CDO's	0.8	0.7	0.8	0.7
Total	$ (4.9)	$ 133.4	$ (45.4)	$ 111.3

Asset-Backed Securities

The Company's estimates of reserves are determined based on an analysis of results of cash flow models. The models project expected cash flows from the underlying mortgage notes. The model output is dependent on, and sensitive to, key assumptions regarding default rates, draw rates, draw periods, recoveries and prepayment rates, among others. The cash flow from the mortgages is then run through the payment "waterfall" as set forth in the indenture for each transaction. Claims in respect of principal generally result when the outstanding principal balance of the mortgages is less than the outstanding principal balance of the insured notes, except when the principal balance is due for payment on the scheduled maturity date. Recoveries result when cash flow from the mortgages is available for repayment, typically after the insured notes are paid off in full.

The Company bases its default assumptions for the second lien transactions (HELOCs and CESs) in large part on recent observed default rates and the current pipeline of delinquent loans. The losses for the second lien transactions (HELOCs and CESs) are estimated based on a model using a constant default rate curve.

The Company generally observed peak defaults for the second lien transactions in 2009 and 2010. Default rates at December 31, 2015 are mostly forecasted with steady state default rates. Exceptions to this may include transactions for which there is an excessive build-up of severely delinquent loans for which defaults are anticipated or transactions whose collateral includes loans whose interest-only periods will end, at which point temporary increases to default rates are expected.

The Company assumes a steady state constant default rate at a rate well above historical norms. Net losses will be greater if the time it takes the mortgage performance to stabilize is longer than currently anticipated or if ramp down periods are extended beyond the Company's current assumption. The constant default rate is a function of several factors, one of which is the state of the economy and unemployment.

The Company's default assumptions for the first lien transactions at December 31, 2015 were based on current delinquent loans and analysis of historical defaults for loans with similar characteristics. A loss severity was applied to the first lien defaults ranging from 42.3% to 67.3% based upon actual loss severity observances and collateral characteristics to determine the expected loss on the collateral in those transactions.

The Company has exercised rights available to it in connection with its insurance of certain RMBS to require the sponsor of such securities and/or the originator of mortgage loans backing such securities to repurchase mortgage loans backing such securities that breached certain representations and warranties and/or to pay damages, and in the case of claims against GreenPoint Mortgage Funding, Inc. ("GreenPoint"), these claims are now being pursued by U.S. Bank as indenture trustee. While a sponsor and GreenPoint have disputed, and may in the future dispute, their obligations to repurchase all or a portion of these mortgages and/or to pay damages, if the Company or the indenture trustee is successful in enforcing its rights, whether through litigation or otherwise, it will reduce the ultimate losses the Company expects to incur through its insurance of the aforementioned securities (see Note 3). As of December 31, 2015 and December 31, 2014, the Company recorded a net benefit for a portion of Syncora's interest in noticed putbacks, which include approximately $527 million in original principal balance of mortgage loans putbacks that have been noticed to date by U.S. Bank which, despite the strength of the Company's or indenture trustee's claims, are subject to material discounts for the inherent uncertainty of litigation, timing and collectability. The amount of noticed putbacks may increase through future repurchase demands. The Company's discounted interest in this benefit is recorded in the Company's financial statements through a reduction in reserves for losses that it would otherwise have had to carry. Given the inherent uncertainty of litigation, no assurance can be given that the Company or indenture trustee will be successful in enforcing its rights to require a sponsor or GreenPoint to repurchase the mortgage loans and/or pay damages discussed above or, if successful, in collecting. If the Company or indenture trustee were successful in enforcing these rights, the ability of the Company to realize a financial benefit from the repurchase of mortgage loans and/or damages paid by a sponsor or GreenPoint is limited to the losses incurred by the Company through its insurance of the RMBS backed by such mortgages and by the financial ability of the sponsor or GreenPoint to honor their obligations. As a result, and due to the risks involved in any litigation, the actual recoveries and therefore the benefit to the Company may vary materially (favorably or unfavorably) from the Company's estimates.

The following table reconciles the beginning and ending reserve balances for losses and loss adjustment expenses, net of reinsurance, for the years ended December 31, 2015 and 2014:

(U.S. Dollars in thousands)	**2015**	**2014**
Reserve for unpaid losses and LAE, net of related reinsurance recoverables, at the beginning of the year	$ 111,302	$ (258,784)
Add:		
Increase in net losses and LAE incurred in respect of losses occurring in the current year, net of reinsurance	17,041	118,072
Increase (decrease) in net losses and LAE incurred in respect of losses occurring in prior years, net of reinsurance	(157,999)	191
Total net losses and LAE (recoveries), net of reinsurance	(140,958)	118,263
Deduct:		
Losses and LAE payments (net of recoverables) in respect of losses occurring in the current year	-	1,508
Losses and LAE (receipts) payments (net of recoverables) in respect of losses occurring in prior years	15,751	(253,331)
Total losses and LAE (receipts) payments (net of recoverables) for losses incurred during the current year	15,751	(251,823)
Total increase (decrease) in net losses and LAE incurred during the current year, net of reinsurance	(156,709)	370,086
Reserve for unpaid losses and LAE, net of related reinsurance recoverables, at the end of the year	$ (45,407)	$ 111,302

The significant components of the change in claim liability for the years ended December 31, 2015 and 2014 are as follows:

(U.S. Dollars in thousands)

Components	2015	2014
Accretion of the discount	$ 7,668	$ 9,114
Changes in timing	40,459	466
New reserves for defaults of insured contracts	16,741	117,657
Change in prior year reserves	(221,577)	242,849
Total	$ (156,709)	$ 370,086

Schedule of Insured Financial Obligations with Credit Deterioration

The Company's surveillance department is responsible for monitoring the performance of its in-force portfolio. The surveillance department maintains a list of credits that it has determined need to be closely monitored and, for certain of those credits, the department undertakes remediation activities it determines to be appropriate in order to mitigate the likelihood and/or amount of any loss that could be incurred by the company with respect to such credits.

The surveillance department focuses its review on monitoring lower rated bond sectors and potentially troubled sectors, which have included certain subsectors within the ABS, CDO, Public Finance and Structured Single Risk portfolios. For the ABS and CDO portfolios, it tracks performance monthly to determine whether or not covenants have been breached. If a covenant is breached, the Company may have the right to put the transaction into rapid amortization so that all cash flow generated from that transaction is used to pay down principal and stay current with interest or take other remedial action. Typically, the surveillance department reviews periodic servicing and trustee reports to track coverage levels, enhancement levels, delinquency levels, loss frequency, loss severity and total losses and compares such performance metrics with the metrics that were made available at the time the transaction was closed. If losses are above projections, the surveillance department will analyze the reasons for the deviation. In some cases, it may be an indication of servicing problems, where loans are delinquent and are not put into foreclosure in time to maximize recovery. Typically once per year, the surveillance department will audit servicers of loans and other assets supporting the Company's insured obligations to better understand their servicing practices and to identify potential servicing problems, if any. For the Public Finance portfolio, the surveillance department uses a Frequency of Review Schedule to prioritize reviews to ensure lower rated and larger exposure credits are being looked at more frequently. In addition, the surveillance department uses screening tools to review the entire Public Finance portfolio based upon news feeds, trade data, material event notices and other third party information. For the Structured Single Risk portfolio, the surveillance department will retain technical consultants as needed to track construction and operational risk and reviews this portfolio based upon reports it receives on a monthly, quarterly or annual basis.

The Company estimates claims based on its surveillance department's best estimate of net cash outflows under a contract, on a present value basis. In some cases, the surveillance department will engage an outside consultant with appropriate expertise in the underlying collateral assets and respective industries to assist management in examining the underlying collateral and determining the projected loss frequency and loss severity. In such cases, the surveillance department will use that information to run a cash flow model that includes enhancement levels and debt service to determine whether a claim is probable, possible or not likely.

The activities of the Company's surveillance department are integral to the identification of specific credits that have experienced deterioration in credit quality and the assessment of whether losses on such credits are probable, as well as any estimation of the amount of loss expected to be incurred with respect to such credits. Closely monitored credits are divided into four categories: (i) Loss List—credits where a loss is probable and reasonably estimable; (ii) Red Flag List—credits where a loss is possible but not probable or reasonably estimable, including credits where claims may have been paid or may be paid but full recovery is in doubt; (iii) Yellow Flag List—credits that the Company determines to be non-investment grade but a loss is unlikely, including credits where claims may have been paid or may be paid but reimbursement is likely; and (iv) Special Monitoring List—low investment grade credits where a material covenant or trigger may be breached and closer monitoring is warranted. Credits that are not closely monitored credits are considered to be fundamentally sound, normal risk.

The following tables set forth certain information in regard to Syncora Guarantee's closely monitored credits as of December 31, 2015 and 2014. The number of policies, remaining weighted-average contract period, and insured contractual payments outstanding in the table below excludes exposures that were effectively defeased or, in-substance, commuted through the acquisition of Insurance Cash Flow Certificates and related alternative structures.

(U.S. Dollars in millions except number of policies)

	Total		Loss List		Red Flag List		Yellow Flag List		Special Monitoring List	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Insured contractual payments outstanding:										
Principal	$2,374	$3,414	$549	$1,184	$ 964	$1,295	$109	$616	$752	$319
Interest	568	1,091	171	320	229	350	26	178	142	243
Total	$2,942	$4,505	$720	$1,504	$1,193	$1,645	$135	$794	$894	$562
Number of policies	199	122	184	54	8	51	3	14	4	3
Remaining weighted-average contract period (in years)	7.7	8.5	10.5	10.8	5.1	6.0	19.2	4.5	7.2	18.2
Loss and LAE liabilities reported in the balance sheet:										
Gross loss and LAE liability (nominal)	$ 665	$1,097	$652	$1,083	$ 10	$ 10	$ 3	$ 4	$ -	$ -
Gross potential recoveries and ceded reinsurance	574	821	574	818	-	-	-	3	-	-
Discount, net	136	165	136	165	-	-	-	-	-	-
Total	$ (45)	$ 111	$ (58)	$ 100	$ 10	$ 10	$ 3	$ 1	$ -	$ -
Unearned premium reserve, net	$ 14	$ 31	$ 2	$ 8	$ 9	$ 11	$ 1	$ 8	$ 2	$ 4
Reinsurance recoverables on paid losses and LAE	$ 1	$ -	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -

12. Income Taxes

The Company recorded a $6.7 million current federal income tax benefit during the year ended December 31, 2015, that was partially offset by a $0.3 million foreign tax provision compared to a $5.6 million current federal income tax benefit that was partially offset by a $0.7 million foreign tax provision during the year ended December 31, 2014.

Management has concluded that future income forecasted to be generated is insufficient to support realization of Syncora Guarantee's net deferred tax assets, thus a full valuation allowance has been established against the deferred tax assets of Syncora Guarantee at December 31, 2015 and December 31, 2014 for $1.0 billion and $1.1 billion, respectively.

(U.S. Dollars in thousands)	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,060,846	$ 31,859	$ 1,092,705	$ 1,167,731	$ 32,724	$ 1,200,455	$ (106,885)	$ (865)	$ (107,750)
Statutory Valuation Allowance Adjustments	(958,454)	(31,825)	(990,279)	(1,051,632)	(32,676)	(1,084,308)	93,178	851	94,029
Adjusted Gross Deferred Tax Assets	102,392	34	102,426	116,099	48	116,147	(13,707)	(14)	(13,721)
Deferred Tax Assets Nonadmitted	-	-	-	-	-	-	-	-	-
Subtotal Net Admitted Deferred Tax Asset	102,392	34	102,426	116,099	48	116,147	(13,707)	(14)	(13,721)
Deferred Tax Liabilities	(102,392)	(34)	(102,426)	(116,099)	(48)	(116,147)	13,707	14	13,721
Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

There were no Federal income taxes paid in prior years recoverable through loss carrybacks for the years ended December 31, 2015 and 2014.

The Company did not have any adjusted gross deferred tax assets expected to be realized after application of the threshold limitation, which is the lesser of the adjusted gross deferred tax assets expected to be realized following the balance sheet date and the adjusted gross deferred tax assets allowed per limitation threshold, as of December 31, 2015 and 2014.

Adjusted ordinary gross deferred tax assets offset by ordinary gross deferred tax liabilities for the years ended December 31, 2015 and 2014 was $102.4 million and $116.1 million, respectively. Adjusted capital gross deferred tax assets offset by capital gross deferred tax liabilities for the years ended December 31, 2015 and 2014 was $34.0 thousand and $48.0 thousand, respectively.

There were no net deferred tax assets admitted as the result of application of statutory accounting guidance for taxes as of December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, current income taxes benefit consists of the following major components:

(U.S. Dollars in thousands)	2015	2014	Change
Current Income Tax:			
Federal	$ (6,720)	$ (5,627)	$ (1,093)
Foreign	276	711	(435)
Subtotal	(6,444)	(4,916)	(1,528)
Federal income tax on net capital gains	-	397	(397)
Utilization of capital loss carry-forwards	-	-	-
Federal and foreign income taxes incurred	$ (6,444)	$ (4,519)	$ (1,925)

Tax planning strategies did not have an effect on the Company's net deferred tax assets.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the years ended December 31, 2015 and 2014 are as follows:

(U.S. Dollars in thousands)

	2015		2014	
	Federal income taxes	Effective tax rate %	Federal income taxes	Effective tax rate %
Provision computed at statutory rate	$ 70,884	35.00%	$ (20,041)	35.00%
Contingency reserve	4,657	2.30%	1,398	-2.44%
Change in nonadmitted assets	(2,297)	-1.13%	(757)	1.32%
Change in valuation allowance	(92,089)	-45.47%	286	-0.50%
Capital loss carry forward expired	6,091	3.01%	16,408	-28.66%
Prior year true up	548	0.27%	-	0.00%
Syncora Guarantee - UK earnings and profits	4,454	2.20%	-	0.00%
Other	1,308	0.64%	(1,813)	3.18%
Totals	$ (6,444)	-3.18%	$ (4,519)	7.90%
Federal income tax incurred	$ (7,268)	-3.59%	$ (5,627)	9.83%
Foreign income tax incurred	276	0.14%	711	-1.24%
Prior year true up	548	0.27%	397	-0.69%
Total Statutory income tax (benefit) incurred	$ (6,444)	-3.18%	$ (4,519)	7.90%

As of December 31, 2015 and 2014, deferred income tax assets and liabilities consisted of the following major components:

(U.S. Dollars in thousands)	2015	2014	Change
Deferred Tax Assets:			
Ordinary			
Unearned premium reserve	$ 4,239	$ 5,936	$ (1,697)
Receivables- nonadmitted	8,773	6,476	2,297
Net operating loss carry-forward	925,141	984,072	(58,931)
Loss & salvage reserve discount	67,678	57,883	9,795
Claim reserve	22,471	75,362	(52,891)
Contingency reserve	29,801	34,459	(4,658)
Loss adjustment expenses reserve discount	126	133	(7)
Unrealized loss on derivative asset	417	1,348	(931)
Intangible assets	1,213	1,351	(138)
Foreign taxes	987	711	276
Subtotal	1,060,846	1,167,731	(106,885)
Statutory valuation adjustment	(958,454)	(1,051,631)	93,177
Admitted ordinary deferred tax assets	$ 102,392	$ 116,100	$ (13,708)
Capital:			
Investments	$ 7,864	$ 7,435	$ 429
Net capital loss carry-forward	23,995	25,288	(1,293)
Subtotal	31,859	32,723	(864)
Statutory valuation adjustment	(31,825)	(32,676)	851
Admitted capital deferred tax assets	34	47	(13)
Admitted deferred tax assets	$ 102,426	$ 116,147	$ (13,721)
Deferred tax liabilities:			
Ordinary			
Surplus notes	$ 94,686	$ 108,767	$ (14,081)
Intangible amortization	6,698	7,333	(635)
Investment in partnership	1,008	-	1,008
Subtotal	$ 102,392	$ 116,100	$ (13,708)
Capital			
Investments	$ 34	$ 47	$ (13)
Subtotal	34	47	(13)
Deferred tax liabilities	102,426	116,147	(13,721)
Net Deferred tax assets	$ -	$ -	$ -

At December 31, 2015, the Company had net operating loss carryforwards expiring from 2027 through 2031 of $2.6 billion.

At December 31, 2015, the Company had capital loss carryforwards expiring from 2016 through 2020 of $68.6 million.

The Company had no income tax expense for 2013, 2014, and 2015 that is available for recoupment in the event of future net losses.

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

At December 31, 2015, the Company's cumulative net operating losses ("NOLs"), which may be carried forward to offset future taxable income, are $2.6 billion. The Company's ability to utilize its NOLs at December 31, 2015 expires from 2027 through 2031. Approximately $161.3 million of the Company's NOLs as of December 31, 2015 are subject to limitation under Section 382 of the Internal Revenue Code ("Section 382") as a result of an ownership change, as defined under that code section, that occurred on August 5, 2008. An ownership change, as defined under Section 382 generally occurs if the percentage stock ownership of shareholders owning (or deemed under Section 382 to own) 5% or more of Syncora Holdings' common shares increases by more than 50 percentage points over the lowest percentage of Syncora Holdings' common shares owned by such shareholders during a defined period of time. To avoid an ownership change in the future and further limitation on the use of the Company's NOLs, on October 21, 2008, Syncora Holdings' Board of Directors approved changes to Syncora Holdings' Bye-laws which were subsequently approved by the shareholders on February 9, 2009 to limit the transfer of shares prior to the expiration of certain time periods specified in such bye-laws.

The Company's significant NOLs are expected to reduce future tax liability that otherwise would be payable by the Company. The ability to utilize these NOLs would be limited in certain events, including if an "ownership change" under Section 382 were to occur. Section 382 limits the ability of a corporation that experiences an ownership change to utilize its NOLs and certain built-in losses after the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation's stock over a rolling 3-year period. These rules generally operate by focusing on ownership changes among shareholders owning directly or indirectly 5% or more of the stock of a corporation (including for this purpose certain groupings of shareholders each of whom owns less than the 5% threshold) or any change in ownership arising from a new issuance or a redemption of stock by the corporation. Generally under Section 382, in the event of an ownership change, the amount of taxable income that a corporation can offset by its "pre-change losses" (which include its NOLs) is restricted to an annual amount equal to the equity value of the corporation immediately prior to the ownership change multiplied by the long-term tax-exempt rate. These limitations generally prohibit transactions that result in the creation of a new 5% shareholder or increases the ownership interest of an existing 5% shareholder. A 5% shareholder for this purpose is defined in Syncora Holdings bye-laws by reference to Section 382 and the Treasury Regulations issued thereunder, and includes "public groups". A prohibited transaction under Syncora Holdings bye-laws is void at inception.

The Company's federal income tax return is consolidated with the following entities:

Syncora Holdings US Inc. ("Parent")
Syncora Guarantee Inc.
Syncora Guarantee Services Inc.
Syncora Capital Assurance Inc.
Syncora Portfolio Advisors Inc.
Syncora Administrative Holdings US Inc.

As of December 31, 2015 and 2014, the Company has a receivable from Syncora Holdings US Inc. of $16.9 million and $11.1 million, respectively, relating to the utilization of its NOLs to offset taxable income reported by Syncora Capital Assurance (both the Company and Syncora Capital Assurance are members of the parent's consolidated group).

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

Interest and penalties related to uncertain tax provisions were zero for the years ended December 31, 2015 and 2014. Tax years 2012 through 2015 are subject to examination by the IRS and state and local authorities.

13. Commitments and Contingencies

(a) Contingent Commitments

- See Note 6 in regard to the Back-Up Guarantees on the Novated CDS Policies.

- There is a risk that the IRS could disagree with a number of tax positions taken by Syncora Guarantee with respect to certain transactions, including but not limited to, certain transactions undertaken in connection with the 2009 MTA. If any of the positions taken by Syncora Guarantee were successfully challenged by the IRS, there could be a material adverse effect on Syncora Guarantee's financial position or the amount of net operating losses available to Syncora Guarantee.

- As of December 31, 2015 and 2014, Syncora Guarantee had $3.8 million on deposit with a bank that acts as the trustee of trusts established in connection with the effective defeasance or, in-substance, commutation of certain of Syncora Guarantee's RMBS securities. This deposit serves to secure Syncora Guarantee's commitment to indemnify such bank in connection with any damages, as defined in the indemnification agreement, that the bank may suffer in conjunction with administering the aforementioned trusts. The deposit is recorded in "Other assets" on the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

(b) On August 24, 2015, the Company and Syncora Capital Assurance entered into an intercompany capital support agreement whereby, if Syncora Capital Assurance's surplus at the end of the prior quarter is below $100 million, or is projected to be below $100 million at the end of the coming quarter, the Company has agreed to purchase up to $100 million of additional Syncora Capital Assurance surplus notes; provided, that the Company's surplus as of the prior quarter shall not be less than $100 million. These notes can be transferred to a third party. As of December 31, 2015, Syncora Capital Assurance's policyholders surplus was $192.1 million.

(c) In October 2013, Syncora Holdings entered into an amended three year agreement with International Business Machines Corporation for information technology outsourcing services, effective January 1, 2014. Fees associated with such agreements were approximately $0.9 million and $0.9 million for the years ended December 31, 2015 and 2014, respectively, which is included in the charges from Syncora Guarantee Services as discussed in Note 6.

(d) For the years ended December 31, 2015 and 2014, the Company recorded $0.5 million and $0.9 million of rent expense, respectively, which is included in the charges from Syncora Guarantee Services. The Company does not have any material lease commitments.

(e) Litigation

Legal Matters:

In the ordinary course of business, Syncora Guarantee is subject to litigation or other legal proceedings. Syncora Guarantee intends to vigorously defend against all actions in which it is a defendant and against other potential actions, and Syncora Guarantee does not expect the outcome of these matters to have a material adverse effect on Syncora Guarantee's financial position, results of operations or liquidity. Syncora Guarantee can provide no assurance that the ultimate outcome of these actions will not cause a loss nor have a material adverse effect on Syncora Guarantee's financial position, results of operations or liquidity.

Set forth below is a description of certain legal proceedings to which Syncora Guarantee is a party.

RMBS Litigation

US Bank v. GreenPoint Mortgage

On February 5, 2009, Syncora Guarantee, together with co-plaintiffs U.S. Bank National Association as Indenture Trustee ("US Bank") and CIFG Assurance North America, Inc. ("CIFG"), filed suit in the Supreme Court of the State of New York, New York County, against GreenPoint (the "GreenPoint State Action"), alleging that GreenPoint breached representations and warranties that would require repurchase of the breaching mortgage loans and/or the entire loan pool and/or pay damages in connection with a securitization of primarily home-equity mortgage loans originated by GreenPoint (the "2006-HE1 Securitization"), which was sponsored by Lehman Brothers Holdings Inc. ("Lehman"). In 2010, Syncora was dismissed from the case after the Court found that it (as well as CIFG) lacked standing to pursue direct claims against GreenPoint.

On December 16, 2013, GreenPoint moved to dismiss the remaining claims of US Bank on the grounds that it too lacked standing because Lehman used the wrong form of assignment when transferring the loans from Lehman Brothers Bank, FSB ("Lehman Bank") to Structured Asset Securities Corporation (another Lehman affiliate) in furtherance of the securitization. US Bank crossed moved for partial summary judgment striking GreenPoint's defense that US Bank lacked standing to directly pursue GreenPoint.

On January 28, 2016, the Court rejected GreenPoint's motion for summary judgment and granted US Bank's cross-motion for partial summary judgment, finding that as a matter of law US Bank has standing to directly assert claims against GreenPoint.

Lehman Brothers Proofs of Claim

On September 16, 2009, Syncora Guarantee filed a proof of claim against Lehman Brothers Holdings Inc. ("LBHI") in the United States Bankruptcy Court for the Southern District of New York in connection with the same securitization as that at issue in the case described immediately above, which proof of claim was amended on January 13, 2010 (the "Syncora Claim"). On September 21, 2009, U.S. Bank as Indenture Trustee filed a proof of claim on behalf of this and other trusts against LBHI in the same court (the "Trustee's Claim"). Neither the Syncora Claim nor the Trustee's Claim has been resolved and the hearing on LBHI's objection to the Syncora Claim has been adjourned without rescheduling another date for a hearing.

On May 2, 2013, in connection with the Syncora Claim, LBHI commenced an adversary proceeding against Syncora Guarantee also in the United States Bankruptcy Court for the Southern District of New York seeking to disallow that part of the Syncora Claim which LBHI alleges is contingent and/or subordinating any allowed claim. On September 26, 2013, LBHI filed a motion for summary judgment, which Syncora Guarantee opposed. Oral argument on the summary judgment motions was held on February 19, 2014 and, in light of the Court's response at argument to LBHI's motion, LBHI and Syncora Guarantee each withdrew, without prejudice, its motion for summary judgment.

On May 20, 2015, LBHI, together with Structured Asset Securities Corporation ("SASCO"), commenced a new adversary proceeding against Syncora Guarantee, U.S. Bank, and GreenPoint, also in the Lehman case pending in the United States Bankruptcy Court for the Southern District of New

York, seeking (i) to disallow the Trustee's Claim; (ii) to disallow the Syncora Claim; (iii) to subordinate the Syncora Claim to the Trustee's Claim; (iv) to estimate the Trustee's Claim at zero for reserve purposes; (v) to estimate the Syncora Claim at zero for reserve purposes; (vi) an order requiring that the Trustee's Claim be pursued through the "RMBS Protocol" established for certain other RMBS trusts with claims against LBHI and SASCO; (vii) an order that LBHI is entitled to be indemnified by GreenPoint for any losses on the Syncora Claim or the Trustee's Claim; (viii) to enjoin the GreenPoint State Action; and (ix) a declaration that the assignment of repurchase rights from Lehman Brothers Bank, FSB to LBHI was valid, relief that, if granted, would resolve in favor of U.S. Bank the "standing" issue that remains pending before the court in the GreenPoint State Action. Contemporaneously with filing their complaint, LBHI and SASCO moved for an order staying the GreenPoint State Action, which was opposed by Syncora Guarantee, U.S. Bank and GreenPoint. On July 1, 2015, the Bankruptcy Court held a hearing on LBHI's and SASCO's motion to stay the GreenPoint State Action and took the motion under advisement.

On August 4, 2015, GreenPoint filed a motion to dismiss the new adversary proceeding as against GreenPoint, as well as a motion to withdraw the reference to the United States District Court for the Southern District of New York. Lehman has opposed both of those motions and filed a motion for summary judgment against GreenPoint, seeking summary judgment on the issue of U.S. Bank's "standing." GreenPoint has opposed Lehman's motion for summary judgment.

On October 2, 2015, LBHI also filed a motion to reduce the reserve held in the LBHI bankruptcy estate on account of the Syncora Claim. Syncora Guarantee filed a brief in opposition to that motion on October 21, 2015. The parties resolved the motion to reduce the reserve by stipulation in January 2016, and a scheduling order has been entered pursuant to which fact discovery and expert discovery will be concluded by September 2016, and a trial will be scheduled in October 2016.

On February 10, 2016, in light of the ruling in New York State Supreme Court that U.S. Bank has standing to pursue GreenPoint, GreenPoint withdrew its motion to withdraw the reference to District Court. The Court directed the parties to prepare a schedule to articulate to the Court the extent to which the U.S. Bank claim and the Syncora Claim have been narrowed by the state court decision.

ARPA Litigation

The Arkansas River Power Authority ("ARPA") is a joint action agency in Colorado formed in 1979 to provide electricity to its constituent municipalities. ARPA currently has six member municipalities. ARPA's members are contractually obligated to purchase their electricity requirements from ARPA. In 2004, ARPA announced plans to convert an existing natural gas-fired generator in Lamar, Colorado to a coal-fired facility (the "Repowering Project"). To raise funds for the Repowering Project, ARPA issued several series of bonds guaranteed by Syncora Guarantee. The costs of the Repowering Project went over budget necessitating ARPA to issue additional debt. The Lamar plant is not currently operating and will not be operated through 2022 pursuant to a consent decree entered into by ARPA and the WildEarth Guardians – an environmental advocacy group that sued ARPA.

On July 14, 2014, Lamar, Colorado – one of six ARPA member municipalities – along with several Lamar businesses and one Lamar citizen (the "Ratepayers"), filed a complaint against ARPA and Syncora Guarantee in Colorado state court (the "Ratepayer Litigation"). The Lamar complaint alleged substantially similar claims to those raised by another member municipality (Trinidad, Colorado) against ARPA in 2011 – namely, that ARPA had mismanaged the Repowering Project and seeking, among other things, to terminate its membership in ARPA. Trinidad, and Syncora Guarantee settled that earlier litigation and, in conjunction with the settlement, four of the other five ARPA member municipalities approved resolutions releasing claims and reaffirming their obligations to ARPA. The settlement agreement also contained a settlement offer to Lamar in exchange for the release of claims and reaffirmation of its obligations to ARPA, including dismissal of the July 14, 2014 lawsuit. That offer to Lamar expired on October 31, 2014.

On August 5, 2014 Syncora Guarantee filed a motion to dismiss Lamar's July 14 lawsuit. ARPA also filed a motion to dismiss.

On October 6, 2014, Lamar and the Lamar Utilities Board filed a second complaint against ARPA and Syncora Guarantee. In their complaint, plaintiffs seek injunctive relief to prevent ARPA from dismantling the Repowering Project. In addition, plaintiffs seek injunctive relief to prevent Syncora Guarantee's settlement offer from expiring on October 31, 2014. On October 11, 2014, plaintiffs filed a motion for temporary restraining order. A hearing was held on plaintiffs' motion for temporary restraining order on October 22, 2014. At the conclusion of the hearing, the Court denied plaintiffs' motion in full and dismissed the motion for injunctive relief against Syncora Guarantee.

Syncora Guarantee and ARPA both filed motions to dismiss the October 6, 2014 complaint. On January 14, 2015, the two pieces of litigation were consolidated. On April 10, 2015, Lamar and the Lamar Utilities Board filed a notice of voluntary dismissal which dismissed all claims in the second complaint against Syncora Guarantee.

On May 21, 2015, the court granted Syncora Guarantee's motion to dismiss Lamar's and the Ratepayers' July 14 complaint. More specifically, all claims against Syncora Guarantee were dismissed for failure to state a claim upon which relief can be granted. The court granted, in part, and denied, in part ARPA's motion to dismiss. The Ratepayers were dismissed as plaintiffs based on lack of standing. Certain claims as against ARPA were dismissed as time-barred. However, the court allowed Lamar's claims against ARPA for rescission of contract and reformation of contract to proceed. On November 12, 2015, Lamar filed a motion to reconsider the Court's May 21, 2015 order granting Syncora Guarantee's motion to dismiss. On December 11, 2015, Syncora Guarantee filed an opposition to Lamar's motion to reconsider and on February 17, 2016, the court issued an order denying Lamar's motion.

Syncora Guarantee will continue to monitor the Lamar litigation against ARPA and assist ARPA with its defense of that case.

In August 2015, Syncora Guarantee filed a complaint in federal court in Colorado against Lamar and the Lamar Ratepayers who sued Syncora Guarantee in the summer of 2014. Syncora Guarantee filed an amended complaint against the Lamar Ratepayers on November 20, 2015. In the amended complaint, Syncora Guarantee alleged claims for intentional interference with contract, malicious prosecution, and abuse of process. On December 4, 2015, the Lamar Ratepayers filed a motion to dismiss the amended complaint. On January 8, 2016, Syncora Guarantee filed its opposition to the motion to dismiss. That motion is fully briefed and has not yet been decided.

Other Litigation

On April 18, 2012, Syncora Guarantee initiated an action in the Supreme Court of the State of New York against Macquarie Capital (USA) Inc. ("Macquarie"), among others. The case remains pending only against Macquarie, with Syncora Guarantee having entered into a stipulation dismissing the other defendants from the lawsuit. Syncora Guarantee alleges that Macquarie made misrepresentations and omissions in obtaining insurance from it on bonds issued by American Roads LLC. Macquarie's motion to dismiss the claims was denied in its entirety and decided in Syncora Guarantee's favor. On September 28, 2015, Syncora Guarantee filed a motion to amend its complaint to include additional allegations against Macquarie. Macquarie has not opposed amendment of the complaint but seeks to have certain portions of it kept under seal and out of the public domain. Macquarie has also indicated that it intends to file another motion to dismiss in response to it. Presently, fact and expert discovery is continuing and is anticipated to conclude in the third quarter of 2016.

14. Capital and Surplus and Dividend Restrictions

The ability of the Company to declare and pay a dividend to shareholders is governed by applicable New York law, including the NYIL. Under Section 4105 of the NYIL, the Company is permitted to pay dividends to shareholders in any 12-month period, without the prior approval of the NYDFS in an amount equal to the lesser of 10% of its policyholders' surplus as of the last financial statement filed with the NYDFS (annual or quarterly) or their adjusted net investment income for the 12-month period, as determined in accordance with Statutory Accounting Practices prescribed or permitted by the NYDFS. The NYIL also provides that the Company may distribute dividends to shareholders in excess of the aforementioned amount only upon approval thereof by the NYDFS. Notwithstanding the foregoing, the Company may not declare or distribute any dividends to shareholders except out of "earned surplus" (an amount equal to "unassigned funds" as shown on its statutory balance sheet, which as of December 31, 2015 was approximately ($1.8) billion, less "unrealized appreciation of assets"). The NYDFS may disapprove such dividends to shareholders if it finds that the Company will retain insufficient surplus to support its obligations and writings.

Pursuant to the terms of the 2009 MTA, Syncora Guarantee is not permitted to pay dividends or repurchase, redeem, exchange or convert any equity securities until such time as all surplus notes issued by the Company are paid in full. In addition, Syncora Capital Assurance is also subject to certain restrictions on its ability to pay dividends to the Company.

The portion of accumulated deficit represented by or reduced by each item below at December 31, 2015 is as follows:

(U.S. Dollars in thousands)

Unrealized (gains) and losses	$	233,569
Non-admitted asset values	$	25,065
Provision for reinsurance	$	133

Surplus Notes

As part of the consideration paid in connection with the effective defeasance, or in-substance commutation, of certain of the Company's guarantees of CDS contracts pursuant to the 2009 MTA discussed in Note 2, on July 15, 2009, Syncora Guarantee issued $150.0 million face amount of short-term and $475.0 million face amount of long-term surplus notes to the counterparties of such CDS contracts. Subsequent to their issuance, $142.5 million of paid-in-kind interest has been added to the face amount of the surplus notes. As part of the 2012 settlement of RMBS-related claims and other claims with BAC thereof, $48.4 million face amount of surplus notes ($21.2 million short-term and $27.2 million long-term) were received back which included $7.7 million of paid-in-kind interest ($2.0 million short-term and $5.7 million long-term). The total face amount of the surplus notes, including paid-in-kind interest held by third parties as of December 31, 2015 is $719.1 million. The short-term surplus notes have a 5.00% interest rate and matured on December 28, 2011, and the long-term surplus notes have a 6.00% interest rate and mature on June 27, 2024.

See table below for a summary of these surplus notes as of December 31, 2015 and December 31, 2014 and for the years ended December 31, 2015 and 2014 (net of amounts received back from BAC):

(U.S. dollars in millions)

	Total		Short-Term		Long-Term	
	2015	2014	2015	2014	2015	2014
Par Value	$719.1	$719.1	$144.2	$144.2	$574.9	$574.9
Carrying value	584.3	584.3	130.7	130.7	453.6	453.6
Accrued interest	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Unrecognized accrued interest	264.4	217.0	49.9	41.1	214.5	175.9
Unrecognized interest expense	47.4	45.3	8.8	8.4	38.6	36.9

Interest on the short-term and long-term surplus notes was payable semi-annually, on June 27th and December 28th of each year (commencing December 28, 2009). Such interest was payable in cash or in-kind at the election of the Company through June 27, 2011 (June 27, 2013 for the long-term notes). Interest subsequent to June 27, 2011 (June 27, 2013 for the long-term notes) was required to be paid in cash, subject in each case to the prior approval of the NYDFS. Absent satisfaction of the conditions to payment, including the approval of the NYDFS, the Company is not entitled to make payments on its surplus notes. Failure to make any payment as a result of the failure of any such condition (as in the present case) would not constitute a default thereunder.

Scheduled repayment of the Company's short-term notes on December 28, 2011 did not meet the conditions to payment (including the approval of the NYDFS) and consequently principal and interest payments were not made. Further, in December 2014 and December 2015, Syncora Guarantee again sought approval for payment on its short-term surplus notes, and on December 24, 2014 and December 21, 2015, respectively, the NYDFS did not approve such payment. As of December 31, 2015, Syncora Guarantee was obligated by the terms of its short term note to pay $207.3 million of principal and interest ($180.6 million net of amounts received back from BAC). Accordingly, any interest not approved for payment by the NYDFS on or after December 28, 2011 will not be capitalized on the outstanding principal balance reflected above, but will accrue interest at the existing rate. The outstanding principal balance of the short-term surplus notes as of June 27, 2011 also will separately accrue interest at such rate. Although the terms of the short-term notes do not require the Company to seek NYDFS approval for such payments according to any schedule, the Company intends to seek approval thereof on an annual basis.

In addition, Syncora Guarantee was obligated by the terms of its long-term surplus notes to pay interest of approximately $97.5 million ($93.1 million net of amounts received back from BAC) on the outstanding principal balance of $475 million together with paid-in-kind interest that was scheduled to be paid on December 28, 2015. In December 2015, Syncora Guarantee sought approval for payment of interest on its long-term surplus notes, and on December 21, 2015, the NYDFS did not approve such payment. Accordingly, any interest not approved for payment by the NYDFS on or after December 28, 2013 will not be capitalized on the outstanding principal balance reflected above, but will accrue interest at the existing rate. The outstanding principal balance of the long-term surplus notes as of June 27, 2013 also will separately accrue interest at such rate. Commencing on December 28, 2018, principal amortizes in twelve equal installments payable semi-annually on June 27th and December 28th through the maturity of the notes.

Notwithstanding the Company's litigation settlements, Syncora Guarantee remains exposed to significant risks and uncertainties that may materially and adversely affect its financial condition, liquidity position and ability to make payments on its surplus notes. Consequently, there is significant uncertainty and there can be no assurance as to whether and when the conditions to payment of the Company's short-term and long-term notes, including the NYDFS approval of any future payments on these notes, will be satisfied.

Each payment of interest on (other than that paid-in-kind) or principal of the notes is subject to restrictions under the terms of the notes themselves and the NYIL, including that such payments may only be made with the prior approval of the NYDFS, and then only to the extent the Company has sufficient free and divisible surplus to make such payment. Absent the satisfaction of these conditions, the Company may not make any payments on its notes.

Each of the notes noted in the table above ranks pari passu. In the event the Company is subject to liquidation or other such proceeding, policyholder claims would be afforded greater priority than that of noteholders, and the noteholders' claims would be afforded greater priority than claims of the Company's stockholders.

15. Derivative Instruments

During 2013, the Company entered into a derivative transaction at a fixed cost of $5.6 million to economically hedge certain interest rate risk associated with certain of its insured exposures. Such derivative transaction serves to limit the Company's exposures should three-month LIBOR rates increase above certain set cap rates between March 2013 and June 2018. For the years ended December 31, 2015 and 2014, the Company recorded an unrealized (loss)/gain on the derivative of $(2.7) million and $(3.8) million, respectively. As of December 31, 2015 and 2014, the Company recorded a derivative asset of $0.5 million and $3.2 million, respectively, which is included in "Derivatives instruments" on the accompanying Statement of Admitted Assets, Liabilities and Capital and Surplus.

16. Fair Value of Financial Instruments

The following estimated fair values have been determined by Syncora Guarantee using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret the data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount Syncora Guarantee could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Bonds: The fair value of bonds were provided by the Securities Valuation Office of the NAIC, except for uninsured cash flows for which fair value was determined using internal models.

Cash, cash equivalents, restricted cash and short-term investments: The carrying amounts of these items are a reasonable estimate of their fair value.

Derivative instruments: The fair value of this asset is the indicative price Syncora Guarantee would receive to sell the derivative in an arms-length transaction between willing market participants.

Investment in limited liability company: Investments in limited liability companies are generally valued using an equity method based on the proportionate share of ownership.

Receivables from and payables to parent and affiliates: The carrying amounts of these items approximate fair value due to the short-term nature of these instruments.

Financial Guarantee Insurance Contracts: The Company believes that the best estimate of fair value for its insurance contracts is the discounted expected premiums less the discounted expected losses over the remaining life of each contract. To determine this fair value the Company utilized a discounted cash flow model based on inputs that include assumptions of expected losses net of expected recoveries where loss reserves have been established (reserve contracts), and expected premiums and losses where loss reserves have not been recognized (non-reserve contracts). For non-reserve contracts, estimates of expected loss are driven by assumptions as to default and loss given default rates for each contract. Market-based discount rates that are credit adjusted for the premium payer and the Company's own credit risk are applied to the premium and loss cash flows, respectively, to ultimately determine the contracts fair value. The inputs used in determining fair value were mostly unobservable and as a result the fair value could change materially.

The carrying amounts and estimated fair values of Syncora Guarantee's financial instruments at December 31, 2015 and 2014 were as follows:

	Carrying Amount		Estimated Fair Value	
(U.S. Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Assets				
Bonds	$ 872,250	$ 884,210	$ 877,633	$ 892,108
Cash, cash equivalents, restricted cash and short-term investments	138,547	92,147	138,596	92,147
Derivative instruments	521	3,182	521	3,182
Investment in limited liability company	1,178	1,178	1,178	1,178

The Company categorizes its assets measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

Fair Value Measurements

Level 1- Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and valuation drivers are observable in active markets.

Level 3- Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

The following fair value hierarchy table presents the Company's assets measured at fair value at December 31, 2015 and 2014. There were no Level 1 assets or any liabilities measured at fair value at December 31, 2015 or 2014.

(U.S. Dollars in thousands)

	2015	2014
Level 2		
Derivative instruments	$ 521	$ 3,182
Total Level 2 assets at fair value	521	3,182
Level 3		
Investment in limited liability company	1,178	1,178
Total Level 3 assets at fair value	1,178	1,178
Total assets at fair value	$ 1,699	$ 4,360

The fair value of the Company's financial guarantee insurance contracts was $291.6 million and $130.8 million at December 31, 2015 and 2014, respectively. The fair value of the Company's financial guarantee insurance contracts would be categorized into the Level 3 hierarchy since the significant inputs used were unobservable.

There were no changes in assets measured at fair value using significant unobservable inputs (Level 3). As of December 31, 2015 and 2014 Level 3 assets consisted of an investment in a limited liability company that had a balance of $1.2 million.

The Company had no transfers into and out of Level 3, gains and (losses) included in Net income or included in Surplus, Issuances, Sales, Settlements and no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2015 and 2014.

The following tables reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method as of December 31, 2015 and 2014. The fair values are also categorized into the three-level fair value hierarchy as described above.

(U.S. Dollars in thousands)

Type of Financial Instrument	Aggregate Fair Value		Admitted Assets		Level 1		Level 2		Level 3	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Financial Instruments - assets										
Bonds	$ 877,633	$ 892,108	$ 872,250	$ 884,210	$ 115,611	$ 114,379	$ 762,022	$ 777,729	$ -	$ -
Cash, cash equivalents and Short-term investments	138,596	92,147	138,547	92,147	132,338	92,147	6,258	-	-	-
Derivative instruments	521	3,182	521	3,182	-	-	521	3,182	-	-
Investment in limited liability company	1,178	1,178	1,178	1,178	-	-	-	-	1,178	1,178
Total assets	$ 1,017,928	$ 988,615	$ 1,012,496	$ 980,717	$ 247,949	$ 206,526	$ 768,801	$ 780,911	$ 1,178	$ 1,178

17. Other Matters

As of December 31, 2015, the Company had, in the aggregate, approximately $61.5 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance and lease agreements. Of such deposits, $41.3 million, $3.8 million, and $16.4 million are recorded on the accompanying Statements of Admitted Assets, Liabilities, Capital and Surplus in “Bonds”, “Other assets”, and “Restricted cash and short-term investments”, respectively.

As of December 31, 2014, the Company had, in the aggregate, approximately $99.4 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance and lease agreements. Of such deposits, $79.1 million, $7.6 million, and $12.7 million are recorded on the accompanying Statements of Admitted Assets, Liabilities, Capital and Surplus in “Bonds”, “Other assets”, and “Restricted cash and short-term investments”, respectively.

18. Variances between Statutory Basis Accounting and GAAP Basis Accounting

The accompanying statutory basis financial statements have been prepared in conformity with NAIC SAP adjusted for NYDFS permitted practices (as discussed in Note 4), which differs in some respects from accounting principles generally accepted in the United States of America (“GAAP”). The more significant of these differences are as follows:

- Bonds (which consist of bonds and loan-backed securities) assigned an NAIC designation of 1 or 2 are stated at cost, adjusted for amortization of premium and accretion of discount which is calculated using the constant yield method. Bonds assigned an NAIC designation of 3 through 6 are stated at the lower of amortized cost, adjusted for amortization of premium and accretion of discount calculated using the constant yield method or, fair value. The prospective method is used to value loan-backed securities. Under GAAP, Syncora Guarantee's bonds are categorized as "available for sale" and are recorded at their fair value, and unrealized appreciation or depreciation of these securities, net of applicable deferred income taxes, is credited or charged as a separate component of shareholders' equity.

- Syncora Guarantee's investment in the common stocks of its wholly owned insurance and non-insurance subsidiaries are accounted and reported under the equity method as described in SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities", and valued in accordance with section 3(ii)(D) of the NAIC Valuations Securities manual. Changes in the carrying value of such investments are reflected as unrealized gains or losses in capital and surplus. In addition, the NYDFS granted Syncora Guarantee a permitted practice to account for its 100% ownership of Pike Pointe as salvage recoverable, which is deducted from the liability for unpaid claims or losses. Under GAAP, Syncora Guarantee consolidates its wholly owned insurance and non-insurance subsidiaries.

- In accordance with SSAP No. 86 – "Accounting for Derivative Instruments and Hedging Activities", derivative instruments are recorded at an estimated fair value with changes in fair value recorded as unrealized gains and losses on the Statements of Admitted Assets, Liabilities and Capital and Surplus. Under GAAP, changes in fair value are recorded as unrealized gains and losses on the Statements of Operations.

- Under NAIC SAP investment income due and accrued that is greater than 90 days past due is non-admitted and charged directly to capital and surplus, whereas non-admitted assets are not recognized under GAAP (see discussion regarding admitted assets below).

- Under NAIC SAP decreases in the fair value of bond and stock investments below their carrying value which are determined to be "other than temporary" are reflected as realized losses and are recorded in the Statements of Operations. In accordance with periodic investment reviews by management, an impairment of a bond shall be considered to have occurred if it is probable that Syncora Guarantee will be unable to collect all amounts due according to the contractual terms of the security. In accordance with GAAP, any credit-related impairment on bonds Syncora Guarantee does not plan to sell and more likely than not will not be required to sell would be recognized in the Statements of Operations, with the non-credit-related impairment recognized in other comprehensive income. For other impaired bonds, where Syncora Guarantee has the intent to sell the security or where Syncora Guarantee will more likely than not be required to sell or where the entire impairment is deemed by Syncora Guarantee to be credit-related, the entire impairment is recognized in accordance with GAAP in the Statements of Operations.

- Premiums charged in connection with the issuance of Syncora Guarantee's policies are received either upfront or in installments. Such premiums are recognized as written when due. Accordingly, under NAIC SAP, future installment premiums are not recognized as receivable until they are due. Once due, installment premiums written are earned ratably over the installment period, generally one to six months, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest paid during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation. Under GAAP, upfront premiums are recognized as written when due and installment premiums are recognized as written at the inception of the contract along with a corresponding receivable regardless of when due. Under GAAP, financial guarantee insurance premiums (both upfront and installment premiums) are earned at a constant rate calculated based on the relationship between the insured principal outstanding in a given reporting period compared with the sum of each of the insured principal amounts outstanding for all periods.

- In accordance with NAIC SAP, a statutorily mandated contingency reserve is established net of reinsurance by an appropriation of unassigned surplus and is reflected in the Statements of Admitted Assets, Liabilities and Capital and Surplus. Under GAAP, contingency reserves are not recognized.

- In accordance with a NYDFS permitted practice, the Insurance Cash Flow Certificates are recorded as paid losses. Under GAAP, since the Insurance Cash Flow Certificates do not legally extinguish the RMBS or other insured securities, the Company regards the effective purchase of the Insurance Cash Flow Certificates as providing protection on the underlying securities upon the occurrence of an event of default and consequently follows reinsurance accounting principles.

- Under NAIC SAP reserves for losses and loss adjustment expenses on insured business are reported net of reinsurance loss recoverables established by Syncora Guarantee with respect to a specific policy and are generally discounted at a rate reflecting the weighted average return on the Syncora Guarantee's invested assets at year-end. In accordance with GAAP, reserves for losses are recognized at the measurement date on a contract by contract basis based on the weighted average probability of net cash outflows to be paid under the contract, on a present value basis, to the extent that the reserve, so determined, exceeds the unearned premium revenue attributable to such contract at the measurement date. In addition under GAAP, reserves for losses are discounted based on a risk free rate of interest commensurate with the expected duration of the related insurance contract and are reported net of unearned premium revenue and gross of reinsurance recoverables.

- Under NAIC SAP assets and liabilities relating to reinsurance are reported on a net basis. Under GAAP, these reinsurance balances are required to be reported on a gross basis.

- Syncora Guarantee accounts for its insurance of CDS contracts issued by the affiliated trusts as insurance under NAIC SAP. Under GAAP, insurance of CDS contracts are accounted for as derivative financial instruments and are carried at fair value with changes in fair value included in net income.

- In accordance with NAIC SAP, the Company must recognize as a liability in its financial statements for any credit recorded therein for ceded reinsurance liabilities to unauthorized reinsurance companies, unless such reinsurance companies have secured such obligations through funds on deposit with the ceding company, a letter or credit or by some other means generally recognized under NAIC SAP or by the NYDFS irrespective of whether the Company believes such amounts are ultimately collectible from the reinsurer. Under GAAP, no such liability is recognized.

- Under NAIC SAP a net deferred tax asset is recorded only to the extent it is expected to be realized in accordance with the applicable statutory accounting for income taxes. Amounts in excess of such limit are recorded as non-admitted assets. Changes in the admitted deferred tax asset or liability are recorded directly to unassigned surplus. In addition, a valuation allowance is recorded when it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Under GAAP, deferred taxes are recorded for any temporary differences between the tax basis of assets and liabilities to the extent it is more likely than not that deferred tax assets are realizable, with changes in deferred tax assets and liabilities recorded as a component of net income tax expense, except for changes in unrealized gains and losses on available for sale securities.

- Under NAIC SAP certain assets are non-admitted, (consisting primarily of premium and intercompany receivables that are greater than 90 days past due) and charged directly to unassigned surplus. Under GAAP, these amounts are typically reflected as assets.

- In accordance with NAIC SAP, surplus notes are recorded as a component of capital and surplus, while under GAAP, surplus notes are recorded as notes payable.

- Under NAIC SAP, acquisition costs are charged to operations as incurred rather than GAAP's requirement to defer and amortize the costs as the related premiums are earned.

- Variable interest entities are not consolidated by the primary beneficiary under statutory requirements.

19. Subsequent Events

Syncora Guarantee has evaluated all subsequent events through April 5, 2016, the date the financial statements were available to be issued. There were no material events occurring subsequent to December 31, 2015 that required recognition or disclosure.

Appendix A

20311201528500100 2015 Document Code: 285

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended DECEMBER 31, 2015

(To Be Filed by April 1)

Of The SYNCORA GUARANTEE INC.

Address (City, State, Zip Code) New York, NY, 10020

NAIC Group Code 4676 NAIC Company Code 20311 Employer's ID Number 13-3635895

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.
Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,249,446,043

1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 DREYFUS TREASURY PRIME CASH MANAGEMENT	EXEMPT MNY MKT MUTUAL FUND	89,069,332	7.129
2.02 BEAR STEARNS COMMERCIAL MORTGAGE SECURITIES	BOND	17,904,436	1.433
2.03 LB-UBS COMMERCIAL MORTGAGE TRUST	BOND	17,046,573	1.364
2.04 FORD CREDIT FLOORPLAN MASTER OWNER TRUST	BOND	13,487,682	1.079
2.05 COMM MORTGAGE TRUST	BOND	12,438,760	0.996
2.06 PNC BANK NA	BOND	11,467,283	0.918
2.07 CITIBANK CREDIT CARD ISSUANCE TRUST	BOND	10,200,266	0.816
2.08 JPMORGAN CHASE & CO	BOND	9,912,022	0.793
2.09 ALLY MASTER OWNER TRUST	BOND	9,654,284	0.773
2.10 WELLS FARGO & CO	BOND	9,265,767	0.742

NAIC Designation	1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.		
Bonds		
3.01 NAIC 1	901,624,340	72.162
3.02 NAIC 2	39,066,002	3.127
3.03 NAIC 3	1,196,049	0.096
3.04 NAIC 4		
3.05 NAIC 5	10,385,944	0.831
3.06 NAIC 6	52,242,627	4.181
Preferred Stocks		
3.07 P/RP-1		
3.08 P/RP-2		
3.09 P/RP-3		
3.10 P/RP-4		
3.11 P/RP-5		
3.12 P/RP-6		

4. Assets held in foreign investments:
   4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]
   If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

	1 Amount	2 Percent
4.02 TOTAL admitted assets held in foreign investments	90,573,703	7.249
4.03 Foreign-currency-denominated investments		
4.04 Insurance liabilities denominated in that same foreign currency		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

NAIC Sovereign Designation	1 Amount	2 Percent
5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:		
5.01 Countries designated NAIC 1	90,573,703	7.249
5.02 Countries designated NAIC 2		
5.03 Countries designated NAIC 3 or below		

NAIC Sovereign Designation	1 Amount	2 Percent
6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:		
6.01 CANADA	26,002,123	2.081
6.02 UNITED KINGDOM	11,811,090	0.945
Countries designated NAIC 2:		
6.03		
6.04		
Countries designated NAIC 3 or below:		
6.05		
6.06		

Description	1 Amount	2 Percent
7. Aggregate unhedged foreign currency exposure		

NAIC Sovereign Designation	1 Amount	2 Percent
8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:		
8.01 Countries designated NAIC 1		
8.02 Countries designated NAIC 2		
8.03 Countries designated NAIC 3 or below		

NAIC Sovereign Designation	1 Amount	2 Percent
9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:		
9.01		
9.02		
Countries designated NAIC 2:		
9.03		
9.04		
Countries designated NAIC 3 or below:		
9.05		
9.06		

1 Issuer	2 NAIC Designation	3 Amount	4 Percent
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
10.01 GOLDEN CREDIT CARD TRUST	1FE	6,799,408	0.544
10.02 NORDEA BANK AB	1FE	6,690,747	0.535
10.03 CREDIT SUISSE AG/NEW YORK NY	1FE	5,932,709	0.475
10.04 ING BANK NV	1FE	5,050,873	0.404
10.05 BANK OF TOKYO-MITSUBISHI UFJ LTD	1FE	4,967,900	0.398
10.06 ROYAL BANK OF CANADA	1FE	4,954,991	0.397
10.07 UBS AG/STAMFORD CT	1FE	4,890,468	0.391
10.08 ABBEY NATIONAL TREASURY SERVICES PLC	1FE	3,985,760	0.319
10.09 NATIONAL BANK OF CANADA	1FE	3,495,695	0.280
10.10 LLOYDS BANK PLC	1FE	3,369,472	0.270

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:
    11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
    If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

	Description	1 Amount	2 Percent
11.02	TOTAL admitted assets held in Canadian Investments		
11.03	Canadian-currency-denominated investments		
11.04	Canadian-denominated insurance liabilities		
11.05	Unhedged Canadian currency exposure		

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.
    12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]
    If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1 Contractual Sales Restrictions	2 Amount	3 Percent
12.02	Aggregate statement value of investments with contractual sales restrictions	61,527,848	4.924
	Largest 3 investments with contractual sales restrictions:		
12.03	FEDERAL NATIONAL MORTGAGE ASSOCIATION	17,352,832	1.389
12.04	US TREASURY BILL	15,933,524	1.275
12.05	FEDERAL HOME LOAN MORTGAGE CORP	14,975,100	1.199

13. Amounts and percentages of admitted assets held in the ten largest equity interests:
    13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]
    If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2 Amount	3 Percent
	Assets held in equity interests:		
13.02	SYNCORA INVESTMENT HOLDINGS LLC	35,808,619	2.866
13.03	BROADSOLUTIONS, LLC	1,177,500	0.094
13.04			
13.05			
13.06			
13.07			
13.08			
13.09			
13.10			
13.11			

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:
    14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
    If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

1 Investment Category	2 Amount	3 Percent
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities		
Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03		
14.04		
14.05		

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:
    15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
    If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

1 Investments in General Partnerships	2 Amount	3 Percent
15.02 Aggregate statement value of investments held in general partnership interests		
Largest 3 investments in general partnership interests:		
15.03		
15.04		
15.05		

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:
    16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
    If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

1 Type (Residential, Commercial, Agricultural)	2 Amount	3 Percent
TOTAL admitted assets held in Mortgage Loans		
16.02		
16.03		
16.04		
16.05		
16.06		
16.07		
16.08		
16.09		
16.10		
16.11		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	Loans 2 Amount	 3 Percent
Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:		
16.12 Construction loans		
16.13 Mortgage loans over 90 days past due		
16.14 Mortgage loans in the process of foreclosure		
16.15 Mortgage loans foreclosed		
16.16 Restructured mortgage loans		

	Residential		Commercial		Agricultural	
Loan-to-Value	1 Amount	2 Percent	3 Amount	4 Percent	5 Amount	6 Percent
17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:						
17.01 Above 95%						
17.02 91% to 95%						
17.03 81% to 90%						
17.04 71% to 80%						
17.05 Below 70%						

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

1 Description	2 Amount	3 Percent
Largest 5 investments in any one parcel or group of contiguous parcels of real estate:		
18.02		
18.03		
18.04		
18.05		
18.06		

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:
19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1 Description	2 Amount	3 Percent
19.02 Aggregate statement value of investments held in mezzanine real estate loans		
Largest three investments held in mezzanine real estate loans:		
19.03		
19.04		
19.05		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	At Year-End Amount 1	At Year-End Percent 2	Amount at End of Each Quarter 1st Qtr 3	Amount at End of Each Quarter 2nd Qtr 4	Amount at End of Each Quarter 3rd Qtr 5
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)					
20.02 Repurchase agreements					
20.03 Reverse repurchase agreements					
20.04 Dollar repurchase agreements					
20.05 Dollar reverse repurchase agreements					

Description	Owned 1 Amount	Owned 2 Percent	Written 3 Amount	Written 4 Percent
21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:				
21.01 Hedging	521,274	0.042		
21.02 Income generation				
21.03 Other				

Description	At Year-End Amount 1	At Year-End Percent 2	Amount at End of Each Quarter 1st Qtr 3	Amount at End of Each Quarter 2nd Qtr 4	Amount at End of Each Quarter 3rd Qtr 5
22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:					
22.01 Hedging					
22.02 Income generation					
22.03 Replications					
22.04 Other					

Description	At Year-End Amount 1	At Year-End Percent 2	Amount at End of Each Quarter 1st Qtr 3	Amount at End of Each Quarter 2nd Qtr 4	Amount at End of Each Quarter 3rd Qtr 5
23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:					
23.01 Hedging					
23.02 Income generation					
23.03 Replications					
23.04 Other					

Appendix B

20311201539900100 2015 Document Code: 399

REINSURANCE ATTESTATION SUPPLEMENT

The Chief Executive Officer and Chief Financial Officer shall attest, under penalties of perjury, with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statement, that to the best of their knowledge and belief after diligent inquiry:

(I) Consistent with SSAP No. 62R, Property and Casualty Reinsurance, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed herein;

(II) For each such reinsurance contract entered into, renewed, or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP No. 62R, Property and Casualty Reinsurance, is available for review;

(III) The reporting entity complies with all the requirements set forth in SSAP No. 62R, Property and Casualty Reinsurance; and

(IV) The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP No. 62R, Property and Casualty Reinsurance.

If there are any exception(s), it should be noted in the Reinsurance Attestation Supplement filed electronically with the NAIC and in hard copy with the domestic regulator (excluding the details of the exceptions). The details of the exceptions shall be filed in a separate hard copy supplement (Exceptions to the Reinsurance Attestation Supplement) with the domestic regulator.

For reporting period ended December 31, 2015

Signed:

	2/24/16		2/24/16
Chief Executive Officer	Date	Chief Financial Officer	Date